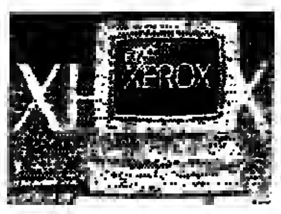
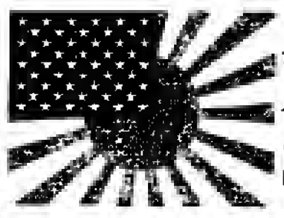
Pandora's Box
The EU lives dangerously
Page 13



Inventing the future
Xerox's computer breeding ground
Page 8

Marketing drugs
Economists in the salesforce
Page 9

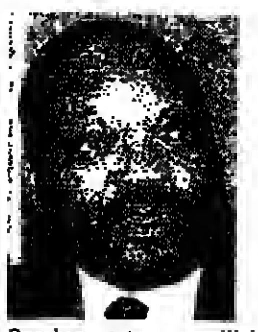


A modest proposal
Japan as the 51st state
Page 13

FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY MARCH 24 1994

End to KwaZulu homeland urged by ANC deputy



African National Congress deputy secretary-general Jacob Zuma (left), the highest ranking Zulu in the ANC, has called on South Africa's multi-party Transitional Executive Council to take over the administration of the KwaZulu black "homeland" from Chief Mangosuthu Buthelezi, putting the ANC and the chief's Inkatha Freedom party on a collision course. The ANC call represents a significant hardening of the organisation's position on KwaZulu, the only one of the 10 black homelands which continues to offer political opposition to the ANC. Page 14

Five Arabs killed in gun battle: The Israeli army killed four Palestinians, allegedly members of the Hamas Islamic resistance movement's military wing, during an 18-hour gun battle in Hebron. A pregnant Palestinian woman also died in the exchange of fire. Page 4

S Korean threat: South Korea issued a veiled warning that if North Korea staged an attack, Seoul would respond by invading the North to overthrow the government of President Kim Il-sung. Page 14

75 die in Siberian air crash: All 75 people on board a half-empty Russian A310 Airbus were killed when the airliner crashed overnight in the Siberian wilderness 2,000 miles east of Moscow, the second air disaster there this year. The airliner was flying from Moscow to Hong Kong.

Nordbanken, which the Swedish government rescued from collapse with a SKr51bn ($6.5bn) bail-out operation, announced a 1993 operating profit of SKr2.7bn, making it the country's most profitable bank last year. Page 15

UN convoy hijacked: Bosnian Serb soldiers hijacked a United Nations aid convoy headed for the Moslem enclave of Maglaj and looted the contents of 10 trucks, a UN spokesman said.

Kingfisher: Shares fell at the UK retailer in spite of better-than-expected results, reflecting disappointment over underlying performance in the UK. Pre-tax profits were 51 per cent up on last year at £309.3m. Page 15; Lex, Page 14

Crédit Lyonnais: French economy minister Edmond Alphandéry will today finalise a rescue package to recapitalise the troubled banking group. Page 15

US secures Gatt waiver over China: The US won a change in General Agreement on Tariffs and Trade rules allowing it to refuse Gatt benefits to China even if Beijing succeeds in rejoining the world trade body this year. Page 6

Keating set for reshuffle: A wider than expected ministerial reshuffle in Australia's federal government was in prospect amid speculation that Senator Graham Richardson was about to resign from the health portfolio. Page 4

Clinton move on ship subsidies: The Clinton administration has agreed to throw its weight behind legislation now in Congress which would impose fines on new ships built in foreign subsidised shipyards entering US ports. Page 6

Jardine Matheson, one of Hong Kong's oldest trading conglomerates, announced a 23 per cent rise in net profits to US$388.8m last year, up from $316.8m in 1992. Page 18; Sunset in the east for Jardine's stock, Page 15

No agreement in Somali talks: The United Nations said Somali faction leaders failed to reach a concrete peace agreement and it would no longer sponsor their talks in Nairobi.

Signs of lost soldiers: Rescuers searching for five soldiers missing in dense jungle surrounding Mt Kinabalu in Sabah, Malaysia, discovered more finds of food remains and packaging. The party of two British and three Hong Kong soldiers was last seen almost four weeks ago.

Tapie to stay at Marseille: Marseille soccer chairman Bernard Tapie, under investigation for suspected bribery, won a court battle to remain at the helm of the European champions.

Giulietta Masina dies: Giulietta Masina, one of Italy's best-known actresses, died aged 73, less than five months after her husband, director Federico Fellini.

STOCK MARKET INDICES

FT-SE 100:	3155.3	(-46.2)
Yield	3.84	
FT-SE Eurotrack 100	1445.73	(+7.25)
FT-SE-A All-Share	1597.2	(-1.2%)
Nikkei	19,962.1	(-291.43)
New York lunchtime:		
Dow Jones Ind Ave	3853.7	(+1.15)
S&P Composite	469.15	(+0.35)

US LUNCHTIME RATES

Federal Funds:	3 7/16%
3-mo Treas Bills: Yld	3.518%
Long Bond	92 11/16
Yield	6.824%

LONDON MONEY

3-mo Interbank	5 5/16%	(5 1/4%)
Liffe long gilt future:	Mar 110	(Mar110 3/32)

NORTH SEA OIL (Argus)

Brent 15-day (May)	$13.8	(14.0)

Gold

New York Comex (Apr)	$(387.4)	(389.5)
London	$388.3	(389.25)

STERLING

New York lunchtime:		
$	1.4955	
London:		
$	1.4935	(1.4862)
DM	2.5165	(2.5094)
FFr	8.5996	(8.5769)
SFr	2.1312	(2.125)
Y	158.948	(157.545)
£ Index	80.6	(80.3)

DOLLAR

New York lunchtime:		
DM	1.684	
FFr	5.7550	
SFr	1.428	
Y	106.475	
London:		
DM	1.685	(1.6885)
FFr	5.7582	(5.771)
SFr	1.427	(1.4298)
Y	106.430	(106.005)
$ Index	66.2	(66.3)

Tokyo close Y 106.13

Austria	Sch32	Greece	Dr550	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft165	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lev25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
France	FFr9.00	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L13000
						UAE	Dh12.00

Major proposes two-tier EU voting system

By Philip Stephens and David Owen in London

Mr John Major, the UK prime minister, last night raised the possibility of a two-tier voting system in the European Union to break the present deadlock over voting rights when four new countries join next year.

Amid intensive diplomatic activity to end the stalemate which has pitted Britain and Spain against their 10 EU partners, Mr Major suggested that the present arrangements must remain for contentious issues such as social policy legislation.

But after a meeting with the prime minister, senior Conservative MPs said he appeared willing to allow an increase from the present 23 to 27 in the number of votes required to create a blocking majority in the Council of Ministers for other, less controversial issues.

Officials said Mr Major was studying carefully another potential compromise involving a legally binding protocol which would allow countries mustering between 23 and 27 votes in the Council to postpone decisions indefinitely. The two-tier proposal would mean that 23 votes – representing two large countries and one small – would still be enough to block directives in areas such as employment policy, where Britain most fears an extension of EU authority. But the number would rise to 27 for other, less contentious areas of legislation.

Mr Major raised the possible compromise at a private lunch with senior Conservative backbench MPs at which he insisted that Britain would defend implacably the substance of its position at this weekend's meeting of EU foreign ministers in Greece.

The attraction of the suggestion was that it offered the hope of breaking the deadlock with Britain's European partners, while satisfying demands on the Tory backbenches that the Britain's power to veto contentious legislation must not be diluted.

But Whitehall officials cautioned that there might be serious practical difficulties in deciding which directives would fall into which category in any two-tier system. The proposal might also face strong opposition from other EU governments.

In the light of that, Britain was still considering other possible compromises, including plans to relate the size of the blocking minority to a population threshold or to raise the number of votes required to 25.

The full cabinet is expected this morning to endorse a government's tough negotiating line after a report from Mr Douglas Hurd, foreign secretary, on the inconclusive meeting of the foreign affairs council in Brussels.

Mr Hurd, who has looked uncomfortable with Britain's hardline stance, will then set the parameters for any possible compromise at the Conservative Central Council tomorrow, before flying to Athens for the meeting of EU foreign ministers.

Tom Burns in Madrid writes: Spain remained impenitent yesterday over its decision to share

Continued on Page 14
Solana takes heart, Page 2
What kind of Union, Page 2
Angry prime minister, Page 7
TV showdown, Page 7
Brink of breakdown, Page 13

Police seize papers at headquarters of Berlusconi party

By Robert Graham in Rome

The pent-up anger in the final stages of Italy's election campaign exploded yesterday when police seized documents from the headquarters of Mr Silvio Berlusconi's Forza Italia movement.

Media magnate Mr Berlusconi fiercely attacked what he claimed was a politically orchestrated action against the movement's Rome and Milan offices.

Last night he was seeking a meeting with President Oscar Luigi Scalfaro to express his concern over the degeneration of the electoral contest, due to take place on Sunday.

But Forza Italia was able to claim the scalp of one of the leading figures in the former communist Party of the Democratic Left(PDS) which is spearheading the anti-Berlusconi campaign.

Mr Luciano Violante, head of the the parliamentary anti-mafia commission, was forced to resign yesterday following the publication of an interview in which he alleged Mr Marcello Dell'Utri, a key member of Mr Berlusconi's entourage, was under investigation by Catania magistrates for arms and drugs trafficking.

Police moved into Forza Italia headquarters in Milan and Rome yesterday morning on the orders of magistrates from Palmi, near Reggio Calabria. For almost two years, the Palmi magistrature had been investigating links between secret masonic lodges and organised crime, uncontrolled elements in the security services and political parties.

In this connection they said they had requested police to obtain a list of Forza Italia members and party candidates.

"This was totally without justification and involved no notification of any crime having been committed," Mr Berlusconi said.

He added: "This has never happened before in our democracy. These things only happen in totalitarian states. In a free country the electorate are those who judge the parties with their vote."

Some of his aides suggested he would even ask President Scalfaro to postpone the elections. It was the second time during the election campaign that he has complained to President Scalfaro of his unfair treatement by the opposition.

The magistrates in Palmi commented: "We do our job as magistrates: we don't get involved in politics." They explained that they ordered police to collect the information because it was not available at the Ministry of Interior.

Even if the timing of the police action was coincidental, it could win Mr Berlusconi some sympathy votes.

The conflict between the PDS-led Progressive Alliance and the Berlusconi camp has been coming to a head for several days. The PDS has not forgiven Mr Berlusconi for his unashamed exploitation of his commercial television network to make Forza Italia a leading political player. Mr Berlusconi meanwhile believes many institutions of state, including the magistrature, are sympathetic to the PDS and deliberately sabotaging Forza Italia.

The PDS has striven to undermine Mr Berlusconi's credibility as an entrepreneur and sympathetic magistrates have been leaking hints of investigations into mafia links with his Fininvest empire.

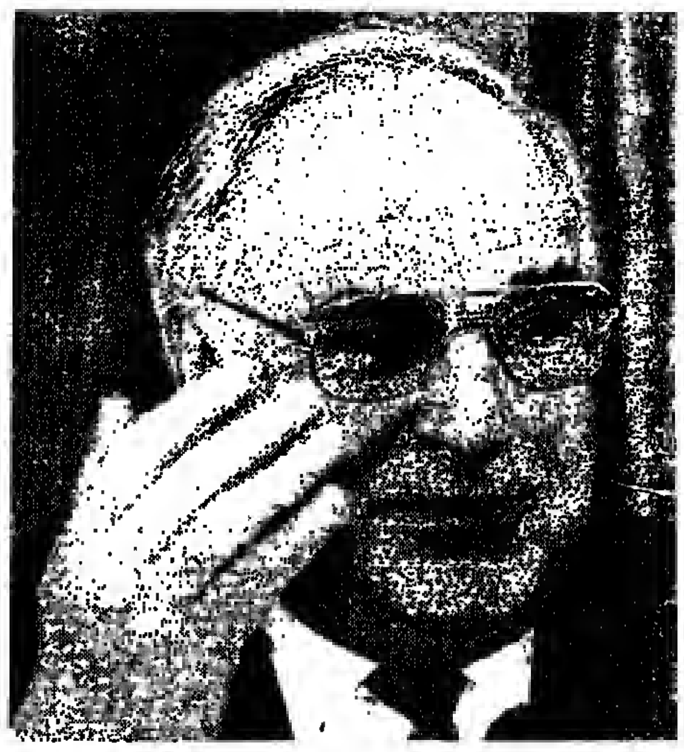
Mr Berlusconi compounded his problems by being slow to distance himself from suggestions that the mafia was backing Forza Italia.

But the PDS also sensed Mr Berlusconi was politically inept at handling criticism in public. As a result they have forced him away from his carefully scripted role as the seductive purveyor of good news.

Mr Violante, however, made a serious error in breaching judicial secrecy and revealing the state of investigations into Mr Dell'Utri, the head of Publitalia, the advertising arm of Fininvest, and the power behind Mr Berlusconi's bid for the premiership.

Kohl says door must be open to central Europe

By Quentin Peel in Bonn



German chancellor Helmut Kohl: Europe cannot be a closed shop

Chancellor Helmut Kohl of Germany entered an already bruising debate over enlargement of the European Union yesterday by promising be would make strenuous efforts to further open the EU to the countries of central Europe when Germany takes over the presidency this year.

Implicitly attacking opposition to enlargement of the EU – dramatised recently in top-level French criticism of Germany's enthusiasm for the process – Mr Kohl insisted that "the Baltic Sea is just as much a European sea as the Mediterranean. It is quite simply intolerable for us to adopt the attitude that we want to create some sort of closed shop".

He rejected any attempt to turn the EU into a "glorified free trade area", insisting that enlargement must go hand in hand with closer integration and reinforcement of European institutions.

At the same time, be sharply criticised Britain and Spain for holding up the enlargement negotiations with Austria, Finland, Norway and Sweden over technical changes in the voting rules.

Mr Kohl, whose government will take over the EU presidency on July 1, suggested new moves to involve the four likely central European candidates for EU membership more closely in Union decisions.

One proposal would be to extend EU summit meetings to include the leaders of Poland, Hungary, the Czech Republic and Slovakia in a regular exchange of views on common problems. Their participation would ensure that EU decisions were not taken that would make their eventual membership more difficult.

A second idea would be to invite those countries – "in the near future" – to send deputies to the European parliament as non-voting members, in a consultative role.

Mr Kohl left no doubt that he sees extension of the EU to the east as a top priority and vital national interest for Germany. He said it was "unthinkable" that Germany's eastern border, the Oder-Neisse border with Poland, "should remain the eastern border of the European Union".

Only by simultaneously "deepening" the EU, while the enlargement process continues, could "peace and freedom" in Europe be assured, he said. "With a glorified free trade area we would never manage to achieve this in a lasting way."

He suggested that resistance to the proposed changes in voting rules in the EU council of ministers – simply to maintain the level of a qualified majority for decision-making at two-thirds of the votes – was simply a result of outdated nation-state mentality.

"I do not believe that by thinking in the categories of yesterday, we can solve the problems of the future," he said. As far as voting numbers were concerned, "we have long learned to think in terms of quality, not quantity".

Moscow committed to tough budget regime by IMF

By John Lloyd in Moscow

International Monetary Fund assistance to the Russian government will commit Moscow to tough budget discipline that could be difficult for the government to maintain.

The IMF, which expects to release a $1.5bn loan soon, is banking on the ability of Mr Victor Chernomyrdin, the Russian prime minister, who has impressed IMF officials, but who will be under extreme political pressure in keeping Moscow's side of the bargain.

However, Mr Michel Camdessus, IMF director-general, reflected the Fund team's recognition that the Russian government is already running a very tight monetary policy, with real interest rates now standing at about 10 per cent a month.

The commitments made by the government to obtain the second tranche of the $3bn systemic transformation facility, to assist Russia in restructuring its economy include:

- Bringing down the monthly rate of inflation, presently at 10 per cent, to 7 per cent a month by December 1994.
- introducing new taxes and improving tax collection.
- Ensuring that all extra spending or loss of revenue will be compensated by cuts in agreed spending programmes.

These commitments, coupled with the present tight monetary policy, mean that the government has exceptional control over the economy. Industrial production fell 24 per last month, compared to a year earlier, greatly increasing political tension and fears of political upheaval.

However, Mr Camdessus said privately that he was extremely impressed by the turnround in the central bank, whose officials he thought at least as pro-reform as those in the more conventionally radical ministry of finance. He managed to strike a warm acquaintance with Mr Victor Gerashchenko, the bank head, who said after the signing of the agreement, "allow me to give you the congratulations of the world's worst central banker".

This self deprecation was a reference to a description of him by Professor Jeffrey Sachs, the former adviser to Russian ministers. Professor Sachs last night said be was glad that the "IMF has moved at last, but this is the last moment to assist reforms".

Monetarist swerve wins over IMF, Page 2

Markets shrug off US rate increase

Financial markets yesterday shrugged off Tuesday's Federal Reserve's 0.25 per cent increase in short-term interest rates. The Fed's first move to tighten monetary policy, announced on February 4, had prompted widespread falls in bond and share prices, writes Philip Coggan in London.

But the latest move, which raised US short-term interest rates to 3.5 per cent, was widely expected. By 1pm New York time yesterday, the Dow Jones industrial average was 18.71 higher at 3,881.26, while the long bond was up a quarter of a point.

Even though the Fed announcement was followed by yesterday's cut of eight basis points in the German repo rate, the dollar failed to gain against the D-Mark. In London trading, the dollar closed at DM1.685, down from its Tuesday close of DM1.6885. European markets were mainly influenced by events in Germany.

The Dax index closed 19.79 points ahead at 2,161.13. But later in the day, European bourses fell on fears that the German M3 money supply figures for February might show an annualised rise of as much as 30 per cent. The Eurotrack 100 rose 6.98 points, or 0.49 per cent, to close at 1,445.46.

CONTENTS

Belgium makes plans for telecom sell-off

By Gillian Tett in Brussels

The Belgian government yesterday took its first step towards privatisation of the state telecommunications group Belgacom by announcing a review of options for selling parts of the company.

However, Mr Jean Luc Dehaene, the prime minister, warned that privatisation was unlikely before 1995, and said the government would retain a majority stake.

The government and Belgacom will now appoint consultants to draw up plans for privatisation, which is expected to include proposals for the company to link with "strategic" partners, create synergies with other telecomunications groups, and float shares on the Belgian stock market, probably by 1996.

Mr Bessel Kok, chief executive officer, said yesterday Belgacom was holding informal discussions with several leading European and US groups with a view to forming these strategic alliances.

Although the privatisation of Belgacom is at the centre of Belgium's privatisation programme, which is expected to raise BFr40bn (£754m) in 1994, the government warned that the sale of Belgacom was unlikely to contribute much this year, and noted that several obstacles still remained to the sale.

These include a requirement that the company raise more than BFr100m to cover future pension liabilities.

Mr Kok said Belgacom was "not dissatisfied" with the conditions the government was imposing on the privatisation and welcomed an end to the uncertainty about the company's future that has dogged it in recent months.

"I am pleased that the floating technique has been mentioned as a vision for the future and that they have recognised the need for international alliances," he said.

However he admitted that it remained unclear what the government was proposing in its recommendation that Belgacom should seek more "integration" and synergies with other companies.

Mr Dehaene refused to set any timetable for the implementation of the consultants' report, but said that privatisation was "more likely to occur in 1995 or 1996 than 1994".

"We must not act too quickly or too slowly," he said, stressing that the government wanted to take a "calm" approach to the sell-off, which has provoked considerable controversy in Belgium.

Nevertheless, he added that the privatisation would need to occur before the end of 1998 – the deadline for the EU-wide liberalisation of voice services.

Brittan rejects action over low-wage exporters

By Guy de Jonquières in London and David Buchan in Paris

Sir Leon Brittan, the European trade commissioner, yesterday ruled out trade action against foreign exporters into the European Union who benefit from relatively low wages and social costs. He said any such measures would amount to "naked protectionism" and would not relieve unemployment in Europe.

However, he said the EU should propose at next month's ministerial meeting of the General Agreement on Tariffs and Trade in Marrakesh, Morocco, that the question of workers' rights should be placed on the agenda of the planned World Trade Organisation.

Sir Leon's statement, which was broadly approved by his fellow commissioners, goes some way to meet US demands that workers' rights be made an early priority for the WTO, while firmly rebuffing the most extreme opponents of so-called social dumping on both sides of the Atlantic. His remarks coincided with an apparent softening in the public stance of France, which has so far been the most outspoken critic of social dumping in the EU.

The French government said in a statement that countries should not be allowed to gain undue advantage from lax labour and environmental standards. However, it recognised that low-wage competition was "a fact of international trade" and said that environmental safeguards should not serve as a pretext for trade protection.

By steering clear of any proposal which would discriminate against exporters purely on cost grounds, French officials believe they stand a better chance of winning support from industrialised countries for a discussion of labour and environment standards in the WTO.

This point was underlined separately by Sir Leon, who said there was "no chance whatsoever of achieving any international consensus in favour of permitting trade action to be used against countries which do no more than benefit from lower wage or social security costs". Such action would, in any case, do little to help EU economies, because they imported little from low-cost countries and because labour costs were only one factor determining corporate investment decisions and international competitiveness.

Sir Leon said there was no possibility of substantive decisions on trade and social policy issues in Marrakesh, but that the EU should support proposals for a debate in the WTO. The EU should ensure that any future decisions were based on a multilateral approach and on objective criteria.

He said the Gatt would allow the EU to act before then by legislating to prohibit imports produced by prison labour.

However, he warned that such laws could be difficult to enforce and might amount to little more than a political gesture.

He said the EU should also examine the ways of monitoring and enforcing more effectively compliance with conventions adopted in the International Labour Organisation and press the US to ratify more such conventions.

John Lloyd on why the IMF chief signed a $1.5bn deal with a prime minister of conservative instincts

Camdessus gambles on Russia's unlikely reformist

Newfound monetarist soulmates: Mr Chernomyrdin (left) with IMF chief Michel Camdessus in Moscow yesterday *Reuter*

Mr Michel Camdessus is taking the biggest risk the director of the International Monetary Fund has ever taken. He is gambling on the ability of the Russian prime minister to keep the country on a reformist course.

Mr Victor Chernomyrdin is a powerful premier. But he is also a man from state industry whose instincts have been those of control, subsidy and central planning. Has he really bitten the bullet of reform?

Mr Chernomyrdin wanted a meeting with Mr Camdessus very much. At the end of last month, he turned for aid to Mr Peter Castenfelt, a wealthy financier who chairs blue chip companies in the UK and elsewhere and who has a company, Archipelago, which trades in Russia. His credibility with Mr Chernomyrdin rests on the fact that he knows Russian business from the inside.

Mr Castenfelt knew Mr Camdessus and senior officials in the World Bank and undertook to take a message to them that the Russian prime minister wished to prove he was serious about reform.

The message was delivered at the beginning of this month: once Mr Castenfelt told Mr Chernomyrdin that Mr Camdessus was receptive, an invitation was issued to him to come to Russia.

He came as IMF officials, led by Mr Ernesto Hernandez-Cata, were bogged down in grinding, frustrating talks with Russian officials on the budget and on reform. These were talks that seemed to confirm the worst fears of many in the IMF that this was a government which could not manage the finances even if it wished to.

Mr Camdessus began talks with Mr Chernomyrdin last Friday on a sour note, of the kind which had marred their previous efforts in Washington to come to an understanding. The Russian executive director of the IMF, Mr Konstantin Kagalovsky – one of the few remaining members of the original Gaidar team still in some sort of office – had given an interview to Reuters news agency expressing his belief that a deal would be done. This kind of public pressure, said Mr Camdessus, was not right: press relations must be better handled.

The next day the two men disappeared on their own – to a hunting lodge at Zavidovo, were Mr Camdessus, no great sportsman, was introduced to the joys of the chase by the prime minister. (Richard Nixon had been similarly inducted by Mr Leonid Brezhnev at the same spot 20 years before.) At that meeting a mutual understanding began. However, in parallel discussions, the IMF staffers and the Russian officials were still far apart, and the estimations, especially from the Russian side, were pessimistic.

After further talks on Sunday, Mr Camdessus and Mr Chernomyrdin planned to have a final session on Monday – a meeting billed as make or break. Instead, Mr Chernomyrdin flew to the Black Sea resort of Sochi to see President Boris Yeltsin, recuperating there from 'flu. He did so to explain to the president what lay behind a rumour of a coup being organised against him and to get the president's assent to e range of decrees which he would have to sign if the agreement the prime minister wished to make with Mr Camdessus wes to be honoured.

He came back with assent. Late on Tuesday night the two men came up with a deal that was not quite an agreement to pay the $1.5bn loan which was the immediate goal of the talks, but was as close as Mr Camdessus thought he could get.

It is a tough deal. The Russian government has agreed:

- To hold the budget expenditure line at Rbs183trln – a line which the lobbies are already attacking fiercely, with the military threatening unrest in the army if their share is not raised. It has also agreed to raise revenue, budgeted for Rbs120trln, by a series of measures which would involve extra taxes and – crucially – a measure which would make at least some of the existing spending programmes open to cuts if revenue fell below that planned. By the end of this year, inflation should be running at no more than 7 per cent a month, a rate lower than at any time in the past 27 months.
- To finalise a statement on economic reform, which lays out the strategy for the rest of the year.
- To put before the lower house of parliamentthe legislation required to bring in the changes in the budget, already before the house.
- To sign the further measures needed which do not have to go before the parliament.

These moves are supposed to be completed by April 15. They will then be examined by a committee of the IMF board and, if approved, Mr Camdessus will recommend to the full board the payment of the $1.5bn.

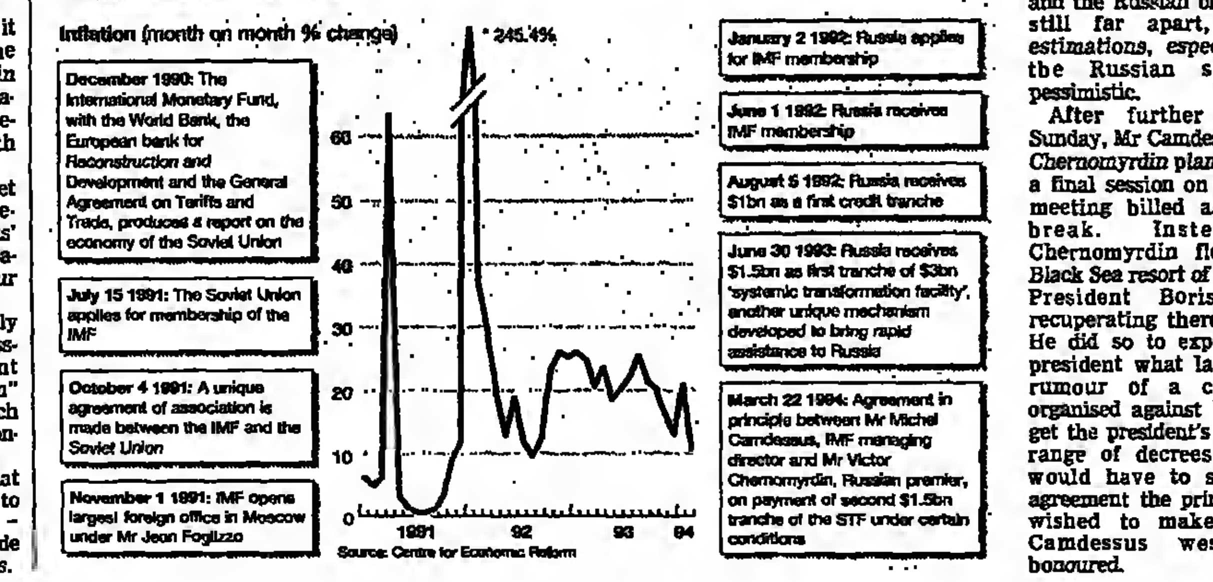
IMF insiders in Washington say the deal is largely done: at least six of the Group of Seven leading industrial countries are enthusiastic for the agreement, with the US leading the way.

The risks are high. Revenue is to date far behind the projections and the hard pounding is yet to come. Though Mr Camdessus has been enthusiastic about the attitude of leading parliamentarians to the budget, parliament as a whole has a majority conventionally seen as anti-reform.

The "essence of this agreements depends on a personal relationship between two men", said an official close to Mr Camdessus last night. "He has taken a huge risk, and he knows it."

"Camdessus was between two cliffs," said another official privy to the talks. "At the foot of one is written: you lost Russia. At the foot of the other: you are a fool for believing Chernomyrdin. He preferred to take the risk of looking like a fool."

Russia and the IMF



Source: Centre for Economic Reform

Kohl welcomes Major's VE Day gesture

By Quentin Peel in Bonn and David Buchan in Paris

Chancellor Helmut Kohl of Germany has warmly welcomed a proposal from Britain's prime minister, Mr John Major, to invite high-level German participation next year at 50th anniversary celebrations of the end of the war in London.

The British leader's invitation, an attempt to defuse a gathering diplomatic imbroglio over British and French reluctance to invite the German Chancellor to celebrate the 50th anniversary of the Normandy landings, came as Mr Kohl presented his own agenda of celebrations linked to the end of the second world war, and the final withdrawal of allied troops from Berlin.

He agreed that it would not be "appropriate" for him to attend the forthcoming 50th anniversary celebrations of the D-Day landings.

However, referring to a possible visit to the UK, he said it could be done in a "good and dignified manner", and the attendance of German war veterans would be "appropriate".

"The 50th anniversary of the end of the war is an entirely different matter (to the Normandy landings)," he said. Any suggestion that he had sought an invitation to Normandy, and had been rebuffed was "pure fantasy".

Instead, Mr Kohl and President François Mitterrand of France will attend a European youth festival in Heidelberg two days later.

Mr Kohl announced that the allied withdrawal from Berlin would be celebrated in two stages, without any full-scale allied military parades.

On August 31, President Boris Yeltsin of Russia will attend ceremonies in both Berlin and Weimar to mark the departure of the last Russian troops from German soil.

Nine days later, Mr Kohl has invited President Bill Clinton, Mr Mitterrand and Mr Major to attend festivities marking the withdrawal from Berlin of the rest of the wartime allies.

Solana takes heart from British

By David White and Tom Burns in Madrid and David Gardner in Brussels

"An unholy alliance" is how Spanish ministers term their uneasy partnership with the UK in the Euro-voting rights crisis which is obstructing the entry of Austria, Sweden, Finland and Norway into the Union.

The 10 member states which oppose Anglo-Spanish attempts to change the EU's majority voting formula are working hard to prise them apart – and leave the UK isolated.

It will not be easy. Mr Javier Solana, the Spanish foreign minister, is playing both for his country and his own political future in the fraught argument. And he may have found an ideal vehicle in his partnership with Britain.

At 51, he is one of only two cabinet ministers to have survived from the first González government 11 years ago and last weekend regained a seat on the Socialist party's executive committee. With his eye on positioning himself as an eventual successor to Mr Felipe González, the prime minister, he has taken the lead in the enlargement talks from the veteran EU negotiator, the technocrat Mr Carlos Westendorp, state secretary for European affairs and taken the British to heart.

"Any solution (to the voting row) has to satisfy our two countries," he said yesterday. "It is very difficult to imagine a solution which would satisfy one country and not the other."

The mood is catching. An aide to Mr González said Spain did not relish the idea of being out on a limb and arguing on grounds of vital national interests. "It is better to flex our muscles as part of a combined veto rather than test whether we have a power of veto ourselves," he said.

There is also political pressure at home to stiffen Mr Solana's resolve. Although the Socialist government does not have to cope with a domestic anti-European lobby as does the UK government, the conservative Popular Party opposition has long accused it of being naive and weak in its dealings with the Union.

Criticism from northern Spanish fishermen over the deal struck last week with Norway on fishing rights has increased pressure on Mr Solana to stand his ground over voting arrangements.

Madrid has always seen this as the most important issue and it has remained united on it despite cool personal relations between Mr Solana and Mr Westendorp.

Madrid is resisting changes to the voting formula because it does not want to be in a losing minority over questions such as Mediterranean products or structural funds.

In addition, it has a deep-seated ambivalence about EU enlargement, part of the "European project" to which Spain is ideologically committed but potentially detrimental to its own interests. It fears it could be marginalised as the EU's centre of gravity shifts northwards and eastwards.

Solana: ambitions

Westendorp: sidelined

Nevertheless, the 10 are addressing compromise solutions more at Spain because they think Madrid is more likly to cave in than London. Madrid is seen as defending identifiable and circumscribed national interests such as Mediterranean agriculture, whereas the British government is seen as parading factional interests of the Conservative party.

'All this is making Swedes ask: What kind of a Union is this?'

Nordic states fear effect on referendums

By Hugh Carnegy in Stockholm

A sense of irritation, frustration and mounting anxiety was evident in the Nordic capitals yesterday as the governments of Finland, Norway and Sweden watched their carefully laid plans to bring their reticent countries into the European Union threatened by a row they have no power to influence.

The dispute between Britain and Spain and their 10 fellow EU members over voting rights after the three Nordic applicants and Austria enter the Union has shattered the optimistic mood that prevailed when accession terms were settled this month after months of tough negotiations.

A compromise that will allow enlargement to go ahead is still expected in the north. But there is a growing fear that the issue will not be resolved for some time, leading to the entry date for the applicants – set for January 1 next year – being delayed and making the task of persuading the three already reluctant electorates to vote for membership in referendums in the autumn much more difficult.

"In the worst case scenario this could lead to a No vote in the referendum," said a senior Swedish official. "All this is making Swedes ask: 'What kind of a Union, what kind of an organisation, is this?' It is so stupid because it should have been sorted out long ago. And it is frustrating because there is nothing we can do about it."

The frustration is heightened because polls in Finland, Sweden and Norway had begun to show a strengthening of the Yes camp, leading the three governments to feel that they were at last beginning to win the referendum argument – even in Norway, where opposition is strongest. "We have become fairly optimistic that if given a clear six months to explain the issues, we have a sporting chance to win. This is not going to help," said an aide to Mrs Gro Harlem Brundtland, the Norwegian prime minister.

The domestic embarrassment is especially acute for Mr Carl Bildt, the Swedish prime minister whose conservative Moderate Party is close to the British Conservative Party. Mr Kenneth Clarke, the British chancellor, was in Stockholm on Tuesday, but offered little comfort, apparently telling Mr Bildt he was pessimistic about achieving a breakthrough on the voting issue.

"I think we understand the problems facing Major inside his party. But he has cornered himself. Of course we are concerned if Major is going to go back to the Thatcher attitude on Europe," the Swedish official remarked.

The three Nordic governments have by no means given up hope of a resolution and have been careful not to make apocalyptic public pronouncements.

If a solution is found soon, attention in the referendum campaigns is likely to shift quickly back to the core issues of national sovereignty, the price of membership for the economy and, especially in Norway and Finland, the effects on agricultural and fishing communities. But those debates will be hard enough to win without additional squabbles reverberating from Brussels.

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EUROPEAN NEWS DIGEST

EU economic growth rising

The European economy should be growing by 2 per cent a year by 1995, although unemployment will continne to rise until after 1996, the European Commission's annual report on the state of the European economy concludes.

The report, which was officially approved by the Commission yesterday, forecasts that gross domestic product in the European Union could grow by as much as 3 per cent by 1996, after 1.3 per cent growth this year, and a fall of 0.3 per cent last year.

However, the report warns that this will not be enough to prevent unemployment rising to a record 11.25 per cent in 1995, up from a predicted 11.2 per cent in 1994 and 10.6 per cent last year. The outlook prompted the Commission to reiterate its calls for Europe's banks to lower interest rates, stressing that this would be essential to stimulata further growth. "Despite the reductions that have taken place in the course of 1993, short-term interest rates remain high given the cyclical position," the Commission noted. It added: "A continued cautious monetary easing in 1994 appears to be largely discounted by both consumers and investors so that a process of accelerated cuts in borrowing costs may be required in order to provide the basis for an upswing in economic sentiment and activity." *Gillian Tett, Brussels.*

Key Bundesbank rate reduced

The Bundesbank yesterday sanctioned another drop in the key securities repurchase rate, from 5.88 per cent last week to 5.80 per cent. But the independent DIW institute for economic research said in its weekly report that the central bank's tentative interest rate cuts were prolonging Germany's recession and causing unemployment to rise more sharply than would otherwise be the case.

The institute said there was room for lower interest rates because unit labour costs fell seasonally in 1993 and were likely to fall again in 1994.

It also questioned the reliability of M3 as a guide for the central bank's monetary policies. The institute, which regularly criticises what it sees as restrictive Bundesbank policies, said the high interest rates would also "choke off" the next economic recovery and prevent prolonged growth. *Reuter, Frankfurt*

Swiss propose carbon fuel tax

The Swiss government yesterday said it planned to introduce a tax from 1996 on fuels that emit carbon dioxide. If approved by parliament the tax on heating oil, diesel fuel, natural gas, coal and petrol would be introduced in stages and bring in an annual SFr1.3bn (£607m) by the year 2000.

The government said at least two-thirds of the money raised would be pumped back into the economy, but details of how this would be done have not yet been fixed. The carbon tax would add 8.3 Swiss centimes to the cost of a litre of petrol. Lead-free petrol, the most popular variety, costs about SFr1.16 a litre. The aim of the tax would be to stabilise carbon dioxide emissions and overall consumption of fossil fuels in Switzerland at their 1990 level and subsequently to reduce them, the government said. *Reuter, Berne.*

Hungary sets EU entry target

Hungary will apply for membership of the European Union on April 1, the Foreign Ministry said yesterday. Hungarian officials have said they hope concrete entry negotiations can start in 1997 and that Hungary can be a full EU member by 1999 or 2000. Hungary, whose association agreement with the EU took effect in February, has made joining western institutions such as the EU and Nato its top foreign policy goal. Its application will make Hungary the first former Warsaw Pact country to seek full EU membership. *Reuter, Budapest.*

Finland considers vote date

Finland could stage a referendum on EU membership on the same day as other Nordic countries on November 13, the prime minister, Mr Esko Aho, was quoted as saying yesterday. Sweden, Finland, Norway and Austria reached preliminary agreements on EU membership terms this month, but the accords need to be approved by national referendums. According to Mr Aho it was not an "excluded option" that the three Nordic EU applicants would stage their plebiscites on the same day. Opinion polls show that public support for membership is larger in Finland than in neighbouring Sweden and Norway. *Reuter, Helsinki.*

Romania purges local officials

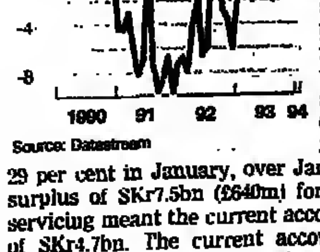
Romania's minority left-wing government has removed 15 mayors and 12 other local elected officials, accusing them of abusing their power and mismanaging public money, the state oews agency Rompres said yesterday. The unprecedented wave of sackings, which hit many opposition figures, immediately drew denunciations from opposition parties. The government accused the officials, including the mayor of Bucharest, of "grave infringements of the law", which included the mismanagement of funds derived from land leases. But the opposition National Peasant party called the sackings "illegal and abusive". *Reuter, Bucharest.*

Death of Catholic group leader

Monsignor Alvaro del Portillo, leader of the Catholic lay organisation Opus Dei, died yesterday of a heart attack, aged 80. The organisation, whicb claims 77,000 members, emphasises church discipline and tradition and has been accused of secrecy and seeking to wield power. Monsignor Portillo succeeded Opus Dei's founder, Mr Josemaria Escriva de Balaguer, as head of the group in 1975. He was ordained a bishop in 1991 by Pope John Paul II. Mr Portillo's successor will be chosen in the coming months by an Opus Dei congress divided into womeu's and men's sections, which will come up with a candidate to submit to the Pope. *AP, Rome.*

ECONOMIC WATCH

Swedish output shows recovery



Source: Datastream

Further evidence tbat Sweden's toughest recession for 50 years ended during 1993 emerged yesterday when the latest industrial production figures showed growth of 8.4 per cent in the year to January, with production rising by 0.8 per cent in January over December. Recovery has been strongest in the mining, engineering and manufacturing sectors, but the big paper and pulp industry bas shown a fall in output. Figures from the Riksbank also showed the strength of the surge in exports that is driving the recovery. Exports were up by 29 per cent in January, over January 1993, producing a trade surplus of SKr7.5bn (£640m) for the month. But heavy debt servicing meant the current account was in deficit to the tune of SKr4.7bn. The current account deficit for the 12-month period to January was SKr3.5bn. *Hugh Carnegy, Stockholm.*

■ The French index of housebold consumption was stable in February after rising by 0.9 per cent in January.

■ Portuguese unemployment rose to 6.8 per cent in the first quarter of 1994, from 6.2 per cent in the previous quarter and 5.1 per cent in the first three months of 1993.

■ Consumer prices in the west German state of North Rhine-Westphalia rose 0.2 per cent in the month to mid-March, taking the year-on-year increase to 3.1 per cent.

Kurds seek last word on Turkish poll

By John Murray Brown, recently in Adana, southern Turkey

Drive south from Adana to the poor suburb of Daglioglu, and there comes a point in the road where the campaign flags and posters suddenly disappear. Among clusters of dismal mud-huilt tenements it would be easy to forget that Turkey was preparing for municipal elections on Sunday.

This is a vote which the politicians in Ankara believe could be the prelude to early general elections, or at the very least a shake-out in the current conservative-led coalition of Mrs Tansu Çiller.

Adana is in many ways tha electoral frontline. Some 500km south of Ankara, it is the Turkish city closest to the Kurdish heartland in the south-east, where the separatist conflict has seriously curtailed the electoral process.

Adana has a proud history. Briefly under French occupation after the Second World War, the city is an ethnic mosaic, where Turks, Arahs and Kurds live side by side in the heart of a rich agricultural belt. Four of Turkey's biggest industrial conglomerates trace their fortunes to tbe cotton fields and the textile wealth of the nearby Çukurova plain. This prosperity has proven a strong magnet for large numbers of economic migrants from poorer regions, particularly the nearby Kurdish-speaking areas.

A Kurdish demonstrator setting fire to himself in Frankfurt yesterday on the fourth day of protests hy Kurds exiled in Germany who are campaigning for an independent homeland Reuter

However, in the last few years, the cracks have been showing in Adana as the separatist violence has spread. The social and economic strains created by poor Kurds seeking work or escaping the pressures of the war have presented the municipality with a serious problem. The unemployment rate – although no ethnic breakdown is available – is believed to be twice as high in the Kurdisb community compared with the city as a whole.

More worrying is the prospect of a widespread Turkish nationalist backlash in the city. Some residents believe it has already started. It was here that the police took the unprecedented step of marching in protest against the office of the human rigbts association, which is widely seen by local Turks as being a front for radical Kurdisb elements.

Community loyalties are certainly stretched. Wben Mr Selahattin Çolak, the mayor, first stood for office in 1977, local residents remember him openly playing on his Kurdish origins to win votes. This time around he is being more discreet. Even Mr Çolak is not venturing into tbe majority-Kurdish Daglioglu district, a no-go area for most of Adana's citizens.

At night the roads are patrolled by armoured personnel carriers with search lights scanning the alleyways for snipers of the Kurdisb Workers' party (PKK). In what was once the city's Arab quarter, angry young radicals say they will boycott Sunday's vote, a pattern which is likely to be repeated in hundreds of towns and bamlets in the Kurdish-speaking region.

At the national level, Sunday's polling to appoint mayors in more than 2,000 towns, is the first real test of the popularity of Mrs Çiller since she was chosen as leader of her True Path party (DYP) io June and became prime minister after Mr Suleyman Demirel moved to the presidency. A had showing conld trigger defections from her DYP and a possible leadership challenge.

The main opposition Motherland party is describing the elections as a national referendum on Mrs Çiller's nine-month-old administration. The vote is also important as a measure of the growing national support for tbe Islamic Refah party (RP).

In the south-east, merely holding the elections without disruption is presenting a challenge to the authorities. Diplomats point out that this is the first time since restoration of parliamentary governmeot in 1982 that Kurdisb violence has threatened nationwide elections.

However, a widespread boycott would provide the most visible evideoce yet of tbe extent to which the Turkish government has lost credibility in the Kurdish region.

Ten days ago tbe Interior Ministry issued special instructions to secure the polling stations, hut only after the pro-Kurdish Democracy party (DEP) had already withdrawn its candidates.

According to some unofficial estimates from western embassies, the DEP might bave been expected to win about 70 per cent in a free vote. However, the intimidation faced hy the party has been considerable. At least 54 of its officials have been assassinated in the past two years. More recently, five DEP MPs have been arrested in Ankara and could now face the death penalty on charges of making speeches espousing the radical Kurdisb cause.

In today's climate of fear, many locals believe almost the only people who will turn out to vote will be the Korucu – the government-armed village guards and their families. In sucb an event, many towns and villages will fall into the hands of the neo-fascist party, the Nationalist Movement.

Five Arabs die in 18-hour Hebron siege

By David Horovitz in Jerusalem

The Israeli army killed four Palestinians, allegedly members of the Hamas Islamic resistance movement's military wing, during an 18-hour gun-battle in Hebron that ended yesterday afternoon. A pregnant Palestinian woman also died in the exchange of fire.

In clashes elsewhere in the town over the past 24 hours, another Palestinian woman was killed, and at least 50 other people injured, according to Palestinian sources. In East Jerusalem, an Israeli security guard was shot and critically wounded by a Palestinian who was still being sought last night.

The Israeli army operation against the Hamas activists, which centred on a building in southern Hebron, at one point threatened to cause the cancellation of yesterday's Israeli-PLO talks in Cairo on resuming the peace process, which has been suspended since last month's massacre in a Hebron mosque.

Mr Yassir Arafat, PLO chairman, telephoned Mr Warren Christopher, the US secretary of state, late on Tuesday to protest at the Israeli army operation. Mr Yassir Abed-Rabbo, Mr Arafat's aide, then warned that PLO delegates might not attend the Cairo talks because of the latest killings. However, the talks proceeded on scheduled.

The main focus of the PLO protest was apparently a claim, backed up yesterday by Palestinian hospital sources, that a 34-year-old pregnant Palestinian woman, Majeda Zahdeh, had been killed by the Israeli troops in the course of the battle. General Ehud Barak, the Israeli army chief of staff, claimed yesterday that she was "apparently killed by gunfire from inside the house, fired by the terrorists".

Palestinian sources said the Israelis fired 100 anti-tank missiles into the building, before bursting in yesterday and killing the four Palestinians. Army bulldozers were last night demolishing the building.

General Barak issued the first official report of the operation in the course of his testimony yesterday before the Israeli commission investigating last month's massacre of Palestinians, in Hebron's Cave of the Patriarchs, by Jewish settler Baruch Goldstein.

The latest operation, he said, underlined that the army's continuing top priority in the occupied territories was the battle against Palestinian terrorism. Its second most important task, he added, was securing the roads for Israeli travellers.

While it was also the army's job to provide security for Palestinians, he continued, there was no way to guard completely against a madman like Goldstein on a suicide mission. Nevertheless, he concluded, "if the proper security precautions had been implemented, they might very probably have prevented the massacre, or at least greatly reduced the extent of the crime".

Keating ready to reshuffle cabinet

By Nikki Tait in Sydney

A wider-than-expected ministerial reshuffle in Australia's federal government was in prospect yesterday amid speculation that Senator Graham Richardson, one of the most senior figures in the Australian Labor Party, was about to resign from the health portfolio.

Prime Minister Paul Keating is due to announce a new ministerial line-up later today. This is in response the recent departures of Ms Ros Kelly, the former minister for sport, environment and territories, and Mr Alan Griffiths, the previous industry minister.

Some elements of their portfolios have already been re-allocated on a permanent basis, but a number of ministerial responsibilities have been "warehoused" (put on hold).

This is partly in expectation of the arrival of the former Western Australian premier, Ms Carmen Lawrence, in Canberra.

She won a federal seat in a recent by-election and entered parliament this week.

Ms Lawrence had been widely-tipped to take over the environment portfolio, although talk of her receiving Senator Richardson's health responsibilities had also been mooted before the latest resignation rumours surfaced.

Relations between Mr Keating and Senator Richardson have been strained lately, following a public dispute over whether the Medicare levy should be raised significantly to fund new programmes.

If Senator Richardson does depart, he will be the fourth senior government minister to step down in as many months. Mr John Dawkins, the former treasurer, left politics altogether just before Christmas.

Mr Griffiths resigned in January, amid allegations that party funds had been used in the "Above the Line" sandwich shop, a private business venture.

Ms Ros Kelly departed after it was claimed a sports grant programme favoured marginal Labor electorates. Both Ms Kelly and Mr Griffiths maintained that they had done nothing wrong.

Cambodian troops find the going tough

Iain Simpson on problems encountered after the fall of the Khmer Rouge main base

Cambodian government troops from a special division dressed in Khmer Rouge uniforms on the way to attack rebel-held Pailin Reuter

Cambodian government troops occupying the former Khmer Rouge headquarters at Pailin may have defeated one enemy but they still have to deal with several others. Unseasonal rain is wreaking havoc on a new dirt road built to supply them with food and ammunition, while malaria is affecting both health and morale.

After two weeks of heavy fighting, government commanders say they are in control of the former Khmer Rouge base at Pailin, although guerrillas still occupy commanding positions nearby.

In the end, the victory at Pailin came rapidly and there is talk in the Cambodian capital that this could mark the end of the Khmer Rouge as a viable force. It is a big political blow to the faction, but the loss of a main base will not stop small units from continuing their campaign of violence in the countryside.

The loss of Pailin is also a serious financial blow to the Khmer Rouge. Gem mines and timber in the area are believed to have earned millions of dollars a year.

Senior military officers say at least 10,000 government troops supported by heavy artillery and helicopter gunships were involved in the assault on Pailin. Approaching from three directions they squeezed the few remaining defenders towards the border with Thailand.

When they finally reached Pailin only 200 guerrillas were waiting for them, but soon afterwards volleys of shells from the nearby hills began landing at the former base. Now the officers say government soldiers are pushing into the hills to clear out remaining Khmer Rouge pockets.

Pailin is surrounded by hills and as long as the Khmer Rouge retain positions on the higher ground, the government's hold on the base will not be secure. Already one government helicopter has come under sustained fire from Khmer Rouge positions.

The main obstacle now facing the government side is the logistics. "Their ability to supply and communicate with their troops is being severely stretched," one diplomat said.

Approaching Pailin from the east, troops armed with chainsaws, bulldozers and heavy military trucks literally cut a new road through the jungle. The road twists and turns around trees and thick clumps of bamboo, trapping trucks towing heavy artillery. Heavy rains are turning the road into a quagmire.

At least 20km from the base the road is blocked and the rest of the way is only passable to military tanks. On Wednesday one tank carrying soldiers and three freelance photographers to the front hit an anti-tank mine. Two soldiers were killed.

The state of the roads strikes terror into the hundreds of soldiers being trucked to Pailin, who know that this is their only escape.

Monsoon rains will start in this part of Cambodia in about two months' time, churning up the roads even more, making it almost impossible for trucks to get through to Pailin. If the soldiers cannot be supplied, the base will almost certainly be lost again.

Despite their apparent victory, morale is low among government troops. They are short of food and medicine and water supplies are running low. In one unit most soldiers had not been given their official salary of $20 a month for six months before the attack on Pailin.

In February, the government suffered an ambarrassing reversal at the northern Khmer Rouge base of Anlog Veng when its troops were driven out less than three weeks after they captured it. Khmer Rouge units attacked behind the government front lines and bombarded government positions, causing heavy casualties.

Senior officers at Pailin say they have learned important lessons from the loss of Anlog Vang. They have advanced more slowly and strengthened thair flanks to prevent a Khmer Rouge attack in the rear.

Already though, Khmer Rouge units are starting to take revenge on villages nearby. Since they lost Pailin, guerrillas have attacked villages in at least five locations in Battambang province. Eight people have been killed and many injured in the attack. In Bavel, which has had a lengthy respite after years of being on the front line, a government ammunition dump was destroyed when a Khmer Rouge rocket scored a direct hit. Further along the road a huge crater marked the spot where a score of anti-tank mines had exploded.

At least 5,000 people have fled from villages near Pailin in the past few weeks as government troops advanced. They say officials warned them to leave their homes and now complain that the food aid they were promised has not arrived. Many are former refugees who resettled here after spending up to 15 years in camps in Thailand. They say all they want now is a peaceful life, but at the moment they see little hope of that.

February figures continue 17-month decline

Japanese motor output down 14%

By Paul Abrahams in Tokyo

Japan's motor industry output fell 14.1 per cent in February against the same period last year, the 17th consecutive monthly fall. The industry's performance underlines the depth of Japan's recession. Production of cars, trucks and buses fell to 896,000 units, the sixth month the decline has been in double digits, and a post-war record.

Japanese car manufacturers have been badly hit by the strength of the yen, which has contributed to a 24 per cent fall in exports. Domestic demand fell 6.2 per cent to 519,000 units. Passenger car production fell 14.5 per cent compared with the same month last year, the 11th month output has declined. Production of trucks fell 13 per cent to 214,000 units, the 31st month that output has decreased.

Toyota's vehicle production fell 12.3 per cent during February to 279,500 units; Nissan's dropped 13.4 per cent to 143,000; Mitsubishi's 10.3 per cent to 111,700; Mazda's 16.8 per cent to 92,000 and Honda's was down 14.6 per cent at 92,800.

● Japan's opposition Liberal Democratic party yesterday agreed to a parliamentary schedule that will allow bills for a large income tax cut to be enacted next week, Reuter adds. The tax bills must be passed by March 31, the last day of the current fiscal year, or they expire automatically.

The Y6,000bn ($56.6bn) tax cut is one of the pillars in Mr Hosokawa's package of anti-recession measures which were announced last month.

Leakey decides to quit wildlife job

By Leslie Crawford in Nairobi

Mr Richard Leakey, East Africa's foremost conservationist, yesterday abandoned his struggle to protect the Kenya Wildlife Service from political predators by submitting his second letter of resignation to President Daniel arap Moi. He said he would not run the KWS under new directives which could destroy years of pioneering work.

"The KWS dream of a self-financing, efficient, publicly owned but independent conservation authority does not seem viable in this context," Mr Leakey said. He mentioned only two of the new directives: anti-poaching units, run successfully for the past four years by the KWS, would be placed under the authority of the Commissioner of Police; and that most KWS resources, including millions of dollars of donor funds, should be spent outside its wildlife sanctuaries.

Mr Leakey returned to head the KWS, at the president's request, less than two weeks ago. He had offered his resignation in January, after charges of racism and corruption were directed at him by cabinet ministers and politicians.

President Moi attempted to defuse the international uproar over his resignation by appointing a committee to examine the workings of the KWS. The committee's recommendations have not been made public, but they appeared designed to curtail Mr Leakey's independence, and to siphon off the millions of dollars of international aid he has raised to fund conservation projects in Kenya.

Icy Sino-British relations show signs of thaw

Simon Holberton reports that the row over Hong Kong democracy may be near a resolution

Britain's winter of bruising struggle with China over Hong Kong has given way to a spring thaw.

Since Hong Kong's Legislative Council (LegCo) voted more than a month ago for the first stage of Governor Chris Patten's political reform legislation, Beijing has scaled back its attacks on the British.

Last week Mr Qian Qichen, China's foreign minister, suggested Beijing might be prepared to draw a line under its row with Britain over democracy in Hong Kong. He said co-operation with London could continue in spite of the row over political development. This theme was taken up by Chinese Premier Li Peng this week when he affirmed Beijing would not exclude UK companies from the Chinese market because of the Hong Kong dispute.

British officials are used to having hopes raised only to see them dashed. But the recent comments, together with other developments, were seen in the colony as further evidence of what in different circumstances Sir Percy Craddock, the British government's former China adviser, called "the faint musical sounds of the lake ice cracking in the sun".

Beijing's more accommodative stance has been matched by London. Mr Patten has virtually vacated the Hong Kong political stage since he returned from Australia last month. This is a far cry from the political campaign which the governor's advisers were promising in December when Sino-British talks about Hong Kong broke down.

In London Sir Percy Cradock, Britain's former chief negotiator on Hong Kong, yesterday attacked the policies of the present governor, Mr Chris Patten, in even more personal terms than those he used to the House of Commons foreign affairs committee last December, Edward Mortimer reports.

In a speech to the Royal Institute of International Affairs Sir Percy recalled the phrase "double whammy", used of Labour's tax policies by Mr Patten when he was chairman of the Conservative party, and said that what Britain had achieved in Hong Kong was "quite a notable example". Official policy, he said, had an "Alice in Wonderland" quality: "All those who speak up for democracy will have ended up by damaging it, and in the process will have antagonised a rising superpower".

Sir Percy also accused Mr Patten of putting undue pressure on LegCo, the colony's legislative council, to adopt his proposals for the 1995 elections. The people of Hong Kong, he claimed, were being "pushed forward into a kind of confrontation which I don't think they want". He urged that LegCo be allowed "a whip-free vote", but alleged that "in fact what has happened has not been that. All the resources of Government House are being used to push it through, including the placemen, the appointed members. They are being asked to move forward like the troops of the Light Brigade." In any case, Sir Percy added, LegCo should not be the final arbiter. "We remain responsible until 1997. It does not lie in our ability to say 'it's very unfortunate but this is what LegCo wanted'. That won't do."

In recent weeks Beijing has given the impression of seeking a resolution to a number of outstanding issues. The two sides appear to be closer than they have ever been to an agreement on the issue of defence lands.

Senior officers of China's People's Liberation Army have been in Hong Kong to view the government's plans for "reprovisioning" defence facilities – notebly the HK$1bn (£87m) construction of port facilities for the Chinese navy on Stonecutters Island, in the middle of Hong Kong harbour.

Similarly, prospects for an agreement on the financing of Hong Kong's multi-billion dollar airport project seem brighter than at any time for the past two years. Earlier in the year the Hong Kong government capitulated to demands from China to pump more cash into the project. China may yet wish to extract further concessions but UK officials say they feel a deal is close at hand.

In addition Beijing has shown signs of flexibility (or indecision) in relation to Hong Kong's post-1997 constitution. During and immediately after last year's failed Sino-British negotiations on the colony's constitutional development Beijing's position was uncompromising. It threatened to overturn all political arrangements made without its agreement.

But the recent meeting of China's National People's Congress (NPC) suggested Beijing's position has become less dogmatic. Mr Li clearly stated that "British enterprises are welcome to participate in the Chinese market," adding thet Beijing would make efforts to minimise the negative effects of the Sino-British row on bilateral trade.

During the NPC, there was confusion over the meaning of a resolution on Hong Kong politics and an inability of delegates from Hong Kong to speak with one voice. A resolution proposed by Mr Cheng Yiu-tong, chairman of New World Development, a large Hong Kong property and infrastructure developer, recommended abolition of the colony's "political structure" after 1997. In the end the NPC did not vote on Mr Cheng's motion. This gave comfort to those who believe Beijing does not want to box itself in, but rather wants to leave itself room for manoeuvre.

Mr Qian's remarks last week were among the more emollient to come from a Chinese leader in months and Mr Li's comments indicated that Beijing was not prepared to jeopardise all aspects of ties with Britain.

Mr Qian highlighted the work of the Joint Liaison Group (JLG), a bilateral group dealing with the mechanics of the transfer. The foreign minister said the activities of the JLG, and its sub-committee dealing with the airport, had been unaffected by the political row. His comments were welcomed by Mr Hugh Davies, Britain's chief representative to the JLG, who said they were "very encouraging".

Mr Qian, perhaps recognising that Beijing has been losing the hearts and minds campaign in Hong Kong, went on to underline China's commitment to the colony. "Despite a breakdown of Sino-British talks on the political structure arrangement of Hong Kong, China still cares about Hong Kong's economy and the livelihood of its people," he said. But in spite of his softer tone, UK and Hong Kong government officials point out there is a long way to go before resumption of constructive co-operation on Hong Kong. Central to this is a resolution of differences over the colony's legal system.

The "localisation" of Hong Kong law – to bring it into line with the Basic Law, China's mini-constitution for post-1997 Hong Kong – has proceeded painfully slowly. There are about 600 laws in Hong Kong needing amendment; half of these are based on UK enactments and about 200 relate to international treaties.

Since April 1990, when China enacted the Basic Law, only 30 of the laws have been approved, and about half of the treaties agreed in principle. Moreover, Hong Kong has yet to legislate for the Court of Final Appeal, the court which will supersede the Privy Council in London.

Legislation is being drawn up to give effect to a 1991 agreement between London and Beijing on the court. Details of the legislation will, however, need to be agreed through the JLG. When Hong Kong government officials heard Mr Qian say that "both sides should make efforts to ensure Hong Kong's prosperity and stability" they hoped he was referring to the colony's legal system.

Jardine profits up, Page 18

NEWS IN BRIEF

Paris, Madrid warn on Algeria

France and Spain yesterday advised their nationals to leave Algeria after Moslem militants stabbed two Frenchmen to death in their Algiers home, writes Our Foreign Staff. Thirty-two foreigners have died in Algeria's civil strife since last September, eight of them French, but yesterday's killings were the first of foreigners inside their own homes.

● Algeria will increase retail prices of basic foods such as bread, flour, semolina, milk and five other staples by 25-100 per cent with effect from today, the official news agency APS said. The increases follow talks with the International Monetary Fund, which has pressed the government to reduce subsidies.

GDP set to rise in NZ

The New Zealand Reserve Bank yesterday forecast GDP growth would rise 5.3 per cent in the year to March before falling to an average 3.5 per cent over the next two years, writes Terry Hall in Wellington. Inflation was expected to remain well within the 0-2 per cent range, with little change in the current account deficit.

Iran to develop port city

President Ali Akbar Hashemi Rafsanjani yesterday inaugurated Iran's biggest pier, near Bandar Abbas, south Iran, and announced plans to develop the port city into an economic and industrial area, Reuter reports from Tehran. The new pier, 12.5 miles west of Bandar Abbas, was built with a 4.4 mile channel alongside, allowing bulk carriers with a capacity of 100,000 tonnes to berth.

Burundi clashes kill 1,000

About 1,000 people had been killed in fighting between troops and tribal gunmen in Burundi since the weekend, Burundi's Interior Minister Leonard Nyangoma said yesterday, Reuter reports from Bujumbura. Thousands of civilians are fleeing the fighting between the Hutu majority and the minority Tutsi-dominated army. The fighting was sparked by the president and prime minister deciding on Monday the army should crack down to end violence in the capital, diplomats said.

Aid and praise for Zambia

Zambia has been pledged $1.1bn in aid for 1994, and has won World Bank praise for an unparalleled overhaul of its economy, AP reports from Paris. "It's difficult to find a country that's done more," Mr Stephen Denning, director of the World Bank's Southern Africa department, said at a donors' meeting in Paris. Inflation had fallen from from 284 per cent in early 1993 to 10 per cent at the year's end.

Malaysian No to UK

British companies had no hope of winning contracts when Malaysia went ahead with tenders for its new $3bn airport project, Reuter reports from Kuala Lumpur.

British companies were free to submit their tender papers, "but, because of the government decision not to award to UK companies, there is no likelihood they are going to get the tender," Deputy Prime Minister Anwar Ibrahim said

Malaysia announced in February that British contracts in an Anglo-Japanese consortium to build a new airport were cancelled, in retaliation for British media allegations of corruption in Malaysia's business dealings.

Sudan allows food to south

Sudan's Islamic government and southern rebels yesterday agreed to allow food and aid to the south, Reuter reports from Nairobi. After three days' talks, they also agreed to respect aid workers and supplies in the "corridors of tranquillity" and appealed for more international aid.

Lebanese militia blamed

Lebanese authorities yesterday accused members of Lebanon's Christian militia of a church bombing that killed 11 people, Reuter reports from Beirut. Seven members of the Lebanese Forces were among nine people arrested or wanted concerning the February 27 bombing of the Church of Our Lady of Deliverance at Jounieh, north of Beirut, they said.

Markets seek clues to 'neutral' rates

Michael Prowse on what Greenspan may mean by such an interest level

There is a question hovering like a dark cloud over financial markets. What does Mr Alan Greenspan, the Federal Reserve chairman, mean when he talks of a "neutral" level of short-term interest rates?

The question is critical because Mr Greenspan has indicated publicly that he intends to raise rates until they reach a neutral level consistent with sustainable non-inflationary growth.

The problem is that the Fed has given no indication of what such a rate would be.

Confusion about the meaning of neutrality partly explained the adverse market reaction to the Fed's first tightening move – the quarter point increase in short rates announced on February 4.

It was immediately clear that rates were still below a neutral level. Markets therefore discounted further rate increases, causing a plunge in bond prices and a rise in yields to nearly 7 per cent.

Tuesday's quarter point increase, taking short rates to 3.5 per cent, was better received, presumably because it took rates closer to Mr Greenspan's goal of neutrality. Bond prices surged and share prices advanced modestly, rather than plunging as in early February.

Many analysts now expect the Fed to leave rates unchanged for a few months, in the hope that markets will calm down. But because 3.5 per cent is almost certainly not what Mr Greenspan regards as a neutral monetary policy, nagging doubts will remain.

In recent decades, says Mr Bruce Steinberg, a senior economist at Merrill Lynch in New York, the federal funds rate – the cost of overnight money for banks – has exceeded consumer price inflation by an average of 180 basis points, or 1.8 percentage points.

Since the underlying rate of inflation is at least 2.5 per cent – and quite possibly 3 per cent – this implies a neutral rate would be between 4 per cent and 5 per cent.

However, during periods when inflation was subdued – such as the 1950s – the gap between inflation and short-term rates was closer to 100 basis points or 1 percentage point. So optimists on inflation – such as President Bill Clinton's economic advisers – may believe the present fed funds rate of 3.5 per cent is already at, or close to, neutrality.

If economic growth slows down after overheating in the final quarter of last year, as most forecasts suggest, monetary policy might not need to be tightened much more. And bond yields could move back down to, say, 6.5 per cent.

Mr Greenspan may have more sympathy for this view than some analysts suspect. On several occasions he has noted that rapid economic growth need not be inflationary provided it reflects rapid productivity growth – which the US has certainly enjoyed in the past two years.

It is thus conceivable that the Fed regards 4 per cent as an upper bound rather than a lower bound when estimating neutrality.

But this hardly lets bond investors off the hook. The Fed's talk of raising rates to neutral levels was probably only the first step in a gradual process of conditioning political leaders to the need for a tighter monetary policy.

In a strong business cycle upswing, such as that under way in the US today, rates typically have to be lifted, temporarily, well above neutral levels. It thus seems almost inevitable that the Fed will push rates well above 4 per cent even if it remains confident about the inflation outlook.

For what it is worth, historical experience suggests rates will rise substantially from present levels.

The average increase in short rates during previous episodes of tightening was nearly 6 percentage points, or nearly 4 percentage points excluding the inflationary 1970s. That suggests short rates could rise to 7 per cent or more in the next few years.

How rapidly the Fed raises rates will depend on trends in real growth and inflation, which in turn will be influenced by the tightening already announced.

The sharp rise in bond yields since early February has already caused fixed-rate mortgage rates to rise from 7 per cent to 7.75 per cent. Since these rates are fixed over the term of the mortgage, homebuyers are scrambling to complete purchases before rates rise another notch. But over the next few months, higher mortgage rates are likely to cool the housing market.

Some deceleration in the heady growth of business investment – the leading sector in this productivity-driven recovery – can also be expected in response to the increase in long bond yields. But the impact will be modest and will probably not begin to take effect much before the end of this year.

As yet it is unclear what effect Fed tightening will have on commercial banks' prime lending rates, currently 6 per cent. Many consumers and small companies borrow at rates linked to prime.

The Fed's tightening moves have reduced the margin between prime and money market rates from 3 per cent to 2.5 per cent. But the margin is still generous by historical standards. Since many banks are highly profitable, they can afford to delay increases in prime rates in the hope of generating more loan volume.

Opponents of further Fed tightening will argue not only that recent interest rate moves are already having a negative impact on growth, but that prices are anyway remarkably subdued. In February the annual rate of consumer price inflation was 2.5 per cent; wholesale price inflation was under 1 per cent.

Mr Greenspan's unpopular task is to prevent a resurgence of inflation as the recovery matures – something that has accompanied every previous post-war business cycle.

Orders for US durable goods fell 2.5 per cent between January and February, more than expected in financial markets, but the decline mainly reflected a sharp drop in aircraft orders, which tend to be highly volatile on a monthly basis.

Excluding transport, orders were flat in February and up 8.6 per cent from the same period last year. Excluding defence as well as transport, orders edged higher last month.

Mr Ron Brown, commerce secretary, said the figures, adjusted for special factors, were consistent with "sustained economic growth".

He said orders for non-defence capital goods, excluding aircraft – regarded as a good guide to civilian investment trends – rose 5.3 per cent last month.

"The manufacturing sector continues to expand," said economists at C.J. Lawrence, a New York broker. "Both durable goods orders and shipments are on steep uptrends." They predicted a sharp rebound in aircraft orders this month.

Most analysts are anticipating a strong rebound in economic growth in March after disruptions in several sectors as a result of severe winter weather earlier in the year.

Creditors come out in favour of Brazil

By Angus Foster in São Paulo

Brazil yesterday looked close to winning approval from bank creditors to close its \$52bn (£35.6bn) commercial debt restructuring, without the formal support of the IMF.

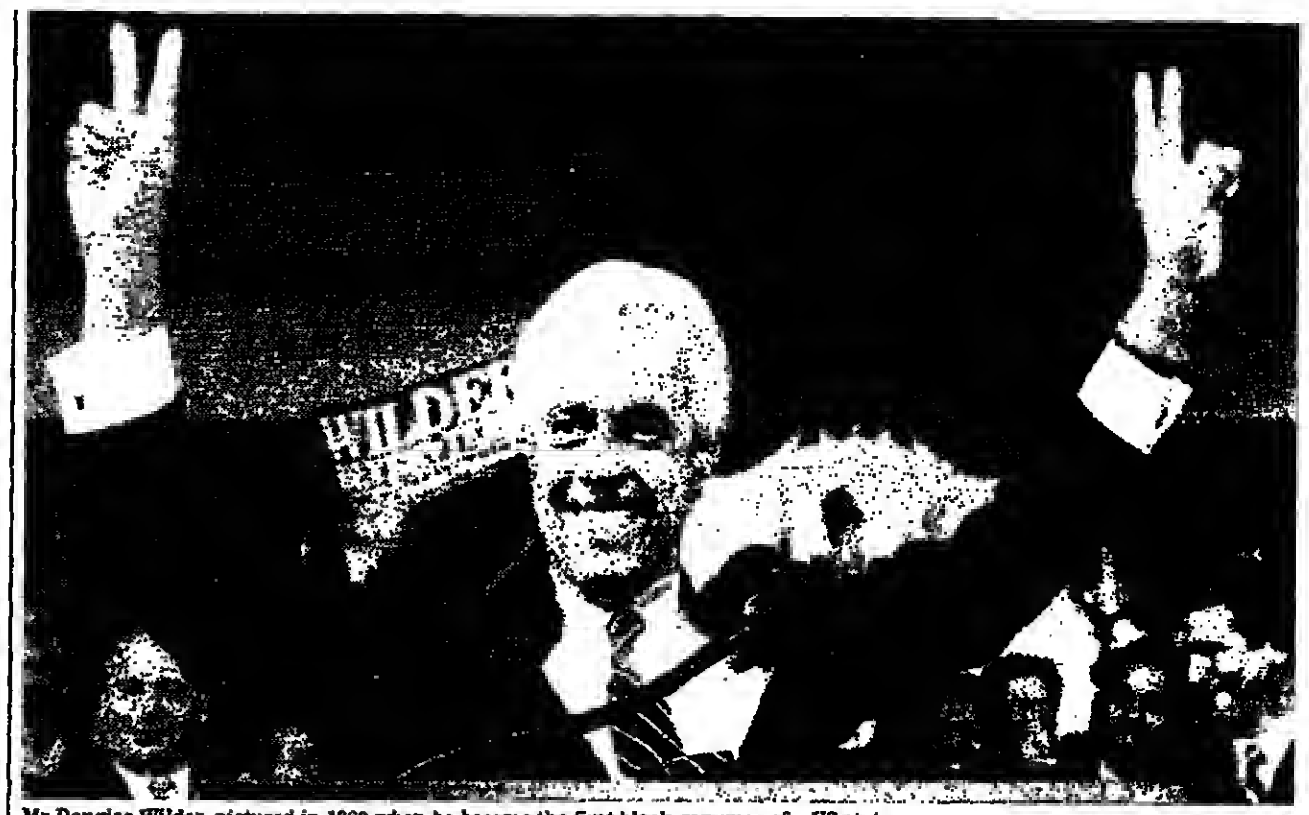
Mr William Rhodes, vice-chairman of Citibank and chairman of the bank steering committee, said creditors holding 80 per cent of the debt had agreed to waive the IMF's involvement.

"I feel confident we will obtain the 86 per cent we need. This is the quickest waiver approval I've ever experienced," Mr Rhodes said. Banks have until the end of today to agree the waiver.

The waiver became necessary after the IMF last week refused to grant Brazil a stand-by loan, apparently reflecting concern about the viability of the country's anti-inflation measures.

● The usually appalling traffic in São Paulo, South America's largest city, was even worse yesterday due to a series of strikes protesting against the government's anti-inflation measures.

Metalworkers from São Paulo's main car plants blocked motorways in the south of the city while services on the underground railway were delayed for two hours. Workers complained that the government's latest attempt to tackle inflation, through the introduction of a new currency later this year, is damaging their purchasing power. Conditions returned to normal by late morning.



Mr Douglas Wilder, pictured in 1989 when he became the first black governor of a US state Reuter

Wilder tempted by Virginia race

By Jurek Martin in Washington

Political Washington may be consumed with Whitewater, but it does not have to look far afield for diversion. The neighbouring state of Virginia is currently providing political theatre of the highest order.

The latest twist to its endless soap opera has come in the shape of public musings by Mr Douglas Wilder, former governor, that he might have to enter this year's Senate race to stop the state becoming, as he puts it, "a laughing stock".

Most Virginians were surprised when Mr Wilder, a Democrat, pulled out of the Senate contest in January. They had assumed he would not be able to resist the temptation of taking on his long-time enemy, the incumbent Democratic Senator Chuck Robb, whose staff had owned up to bugging Mr Wilder's telephones.

They believed Mr Wilder, the state's first black governor, had concluded that Mr Robb was more likely to beat former Lt Col Oliver North of Iran-Contra notoriety, then considered the Republican favourite. He may also have been influenced by the ease with which Mr George Allen, the conservative Republican, won the governor's race last November.

But circumstances have changed and both Mr Robb and Mr North have fallen on hard times. The former has finally confessed to being unfaithful to his wife (the daughter of President Lyndon Johnson) while the latter has incurred the wrath of ex-President Ronald Reagan for presuming to suggest that his old boss knew more than he has let on about Iran-Contra.

Both men's favourable ratings have plunged to the low 30 per cent range, according to one local poll. Mr North now only has a small lead in the Republican contest over Mr James Miller, budget director in the Reagan administration but hitherto an obscure personality in the state. Mr Miller comes out even with Mr Robb, while Mr North trails the incumbent senator by 17 points.

Meanwhile, Mr Allen, in spite of successes with the state legislature, has also been no stranger to controversy, first saying he would join a private club with a history of discrimination against blacks and women and then changing his mind. His staunch support of a proposed new Disney historical theme park in northern Virginia is also stirring up the local hornets.

The temptations for Mr Wilder are pretty obvious. "People are joking about us nationally," he said this week. For a state which produced George Washington and Thomas Jefferson, that is no laughing matter.

Clinton supporters urge tougher stance on Haiti

By George Graham in Washington

President Bill Clinton's policy towards Haiti yesterday came under fierce attack from some of his most reliable supporters.

The Congressional Black Caucus, representing 40 African-American members of Congress, urged Mr Clinton in a letter to scrap his Haitian policy and take a tougher approach to the task of restoring ousted President Jean-Bertrand Aristide to power.

The caucus urged Mr Clinton to cut air links with Haiti, deny visas to the Haitian military and impose sanctions on any country violating the United Nations embargo on trade with the Caribbean nation.

Many of the caucus's members – including Congressman Kweisi Mfume, its chairman, and such senior congressmen as Mr Bill Clay of Missouri and Mr Louis Stokes of Ohio – also signed an open letter published yesterday in the New York Times newspaper accusing the administration of racism in its policy towards Haitian refugees.

The letter, which is signed by mayors, actors, singers and civic leaders, complains that the US has "effectively sealed Haitian political refugees into the death chamber of their own island," while offering safe haven to refugees from countries like Vietnam, Cuba and Poland.

"In no other case, against no other people has our nation employed measures of automatic repatriation. Why just the Haitians? One is left to reasonably conclude that our policy is driven by considerations of race," the letter says.

State Department officials said the US continued to work with backers of a formula proposed by some members of Haiti's parliament that calls for Mr Aristide's return but with no fixed date and without the removal of the military leaders who ousted him. Mr Aristide has rejected the formula.

Mr Michael McCurry, State Department spokesman, acknowledged that a draft UN resolution supporting this formula had made little headway. "I don't know how long it takes a UN resolution to get mouldy, but it has certainly been on the shelf," he said.

US secures Gatt waiver over China

By Frances Williams in Geneva

The US yesterday won a change in General Agreement on Tariffs and Trade rules allowing it to refuse Gatt benefits to China even if Beijing succeeds in rejoining the world trade body this year.

US trade officials have indicated that Washington might seek this opt-out if the Clinton administration decides in June not to renew China's most favoured nation status in the US market because of Beijing's poor human rights record. The MFN rule, which forbids discrimination between trading partners, is one of Gatt's fundamental tenets.

At yesterday's meeting of Gatt's governing council, the US secured formal approval from other nations for a reinterpretation of the "non-application" rule. This provision, rarely invoked, allows any individual Gatt member to refuse to apply the General Agreement on Tariffs and Trade to an incoming member (and vice versa).

However, the present rule stipulates that the two countries must not have begun tariff negotiations with each other, an integral part of the bargaining process on Gatt entry terms. The new interpretation, effective immediately, will allow "non-application" even after tariff negotiations have been started. This effectively applies to Gatt the redrafted "non-application" rule of the new World Trade Organisation, due to come into force next year.

The change means that the US could lift its effective block on China's rapid entry into Gatt, and begin the necessary bilateral tariff bargaining with Beijing, without prejudice to this year's decision on MFN. China is anxious to become a Gatt member by the end of the year in order to qualify as an original member of the WTO.

At a meeting last week of Gatt's negotiating group on Chinese entry terms, trading partners agreed to try to accelerate the seven-year-old talks but the US has so far refused to commit itself to an early deadline.

The possibility of allowing China to join Gatt, while reserving the right of "non-application", could help the US administration in its search for a long-term way out of the damaging annual MFN debate over Chinese trade and human rights. If the US decides not to invoke the "non-application" provision at the outset, or later revokes it, it cannot under WTO rules reinstate it again.

Yesterday's council meeting also saw strong criticism of the US decision to reinstate Super 301 provisions for unilateral trade action. In addition, the council decided:

- to set up a working party to draft membership terms for Estonia, which brings the number of countries negotiating Gatt entry to 22;
- to set up a working party to examine whether the North American Free Trade Agreement is consistent with Gatt rules;
- to postpone substantive discussion of a Gatt disputes panel report condemning EU restrictions on imports of Latin American bananas. Negotiations between the EU and the affected producers are continuing.

Separately, trade officials expressed confidence yesterday that all 81 Uruguay Round tariff schedules would be cleared by trading partners as final and correct by tomorrow's deadline.

Mr Bill Gates, chairman of US software giant Microsoft, pictured in Beijing, the Chinese capital, yesterday taking time off from talks with the country's political leaders and local computer enterprises Reuter

Clinton backs law to combat ship subsidies

By Nancy Dunne in Washington

The Clinton administration has agreed to throw its weight behind legislation now in Congress which would impose fines on new ships built in foreign subsidised shipyards entering US ports.

The decision to back the long-delayed legislation comes after leading shipbuilding countries and the US, meeting last week at the Organisation for Economic Co-operation and Development in Paris, failed to agree to an end to shipbuilding and repair subsidies. The bill is intended to serve as a leverage in the US effort to end ship dumping, indirect supports, and subsidised export credits.

US trade officials and the industry, represented by the Shipbuilders Council of America, are now at odds over the future of the talks. Officials are hoping for another round in April. The Swedish chairman of the talks will prepare a document laying the groundwork for further negotiations.

Mr John Stocker, president of the shipbuilders council, said he had lost hope in a negotiated solution.

"Before last week's talks, we were assured by the Clinton administration that this round was it," Mr Stocker said. "If agreement couldn't be reached, our negotiators were going to pull the plug. We believe this time, final means final."

The shipbuilders council pushed for the talks when in 1989 it filed a complaint under Section 301 of US trade law. Unsubsidised US shipyards lost their commercial business base during the 1980s because they could not compete against subsidised competition. With the end of the cold war and the reduction of the naval fleet, more shipyards will close.

Mr Stocker was critical of European negotiators, who are blaming the failure of the talks on the US. "While the Japanese and Koreans were clearly interested, at least, in engaging the US side in dialogue, Europe was not," he said. "Without the legislation, we will never attain the trade agreement we want."

The council is also critical of the administration, which has reportedly held up 11 applications for a new programme of export credit guarantees, which offer up to 25-year repayment terms.

After bilateral talks with Japan and South Korea produced significant breakthroughs, US trade officials thought an end to the negotiations was at last in sight.

"The US, Japan and Korea agreed to one standard on loan repayment terms - 12 years. Europe said No," an official said. "The US wanted discipline and a binding dispute settlement on export credit financing. The EU said No."

The EU then brought up the US Jones Act, which allows only US owned, built, and crewed ships to make more than one stop at US ports. US negotiators said this was an operating issue rather than a shipbuilding issue, but that the US was willing to limit the number of new ships built under the act.

Caribbean basin nations hope for help to ease the pain, writes Canute James

Neighbours line up at the door of Nafta

Central American and Caribbean governments are awaiting with more than passing interest an imminent US statement on measures to cushion the economic dislocation which the region expects from the North American Free Trade Agreement.

However, Washington's proposals, promised by Mr Alexander Watson, assistant secretary of state for inter-American affairs, are likely to disappoint Caribbean basin governments which have been seeking a comprehensive package to allow free access to the US and Canadian markets. The US proposals could also be "at a cost" to the region, say some Caribbean officials.

Claiming that a more competitive Mexico, with free access to the US and Canada, will capture markets which Caribbean basin countries have developed under current trade agreements, the region has asked for "parity" with Mexico in exporting to Nafta signatories.

Some regional government officials and US legislators supportive of the Caribbean's concerns – which include the possible diversion of investments to Mexico – have now concluded that what would amount to a de facto extension of Nafta is unlikely. They believe that the US administration would not again willingly confront the coalition of opposition which fought the implementing legislation last November.

The measures to be announced by the US are a result of discussions last year between President Bill Clinton and leaders from the Caribbean and Central America. Mr Clinton and his Mexican counterpart, Mr Carlos Salinas, assured the Caribbean basin countries that they would not be adversely affected by the implementation of Nafta, and that efforts would be made to protect their markets in the US and Canada.

What the Caribbean basin countries want is quick action by legislators in Washington, and then in Ottawa and Mexico City, to ratify proposals by some US congressmen to put all the region's exports to the US and Canada on a par with Mexico's.

The parity proposals are aimed at giving Caribbean basin countries an open door to the Nafta market for three years. During this time they would have the opportunity of negotiating their future trade relationship with the Nafta signatories, with the option of seeking membership either as individual states or as a group.

"President Clinton has said his administration will ensure that the benefits of Nafta are felt by the Caribbean countries," said Mr Manuel Esquivel, prime minister of Belize. "We are heartened by President Salinas' assurances that it is not Mexico's intention to take investments away from the Caribbean. But we remain apprehensive."

There is yet no indication of what the US administration will propose for the Caribbean basin. Mr Edwin Carrington, secretary-general of the Caribbean Community (Caricom), said he expected parity to be given to "only a few" of the region's exports, including textiles.

"The parity issue, which is the first step we are seeking, is becoming a case of limited benefits for a very great price," he said. While willing to give parity to a few products, the US wanted the Caribbean basin countries to meet new conditions, including bilateral investment treaties, intellectual property rights agreements, workers' rights and environmental legislation, democracy, good governance and accountability, Mr Carrington said.

"The costs of parity are much higher than we anticipated and any thoughts of full membership of Nafta are as far down the road as they ever were."

In presenting their case for parity, Caribbean leaders have argued that the US and Canada will also be the losers if there is extensive economic dislocation in the region caused by a loss of markets to Mexico. Mr P J Patterson, Jamaica's prime minister, claimed that many jobs in the US depended on trade flows between that country and the Caribbean region.

"Each $1bn of US exports to the region creates 20,000 new jobs in the US," he said. "In the past 10 years US exports to the Caribbean basin have doubled, making the region the tenth largest market for US exporters. As Caribbean economies grow our ability to absorb US exports will also increase.

"Currently 60 cents of every dollar earned by the Caribbean returns to the US through the purchase of US goods, compared with only 10 cents for each dollar spent by Asia. This is why we must pursue efforts to ensure that the question of the granting of parity be given early and positive consideration."

Without improved access to the US and Canadian markets to counter Mexico's benefits under Nafta, the Caribbean basin countries will have to continue depending on their current trade preference agreements with the US and Canada.

The benefits from these were diminishing, said Mr Carrington, as the region's exports became less competitive and Mexican products enjoyed the benefits of the market.

"The Nafta playing field will never be level for the region," he said. "Nobody is going to give us an even playing field, but we have to work to make it less uneven."

Prime ministers Manuel Esquivel (left) of Belize and P J Patterson of Jamaica are apprehensive about the treaty's impact on their countries' economies

'Litany of disasters' for the international drugs industry

By Clive Cookson in London and Paul Abrahams in Tokyo

The past year has been the worst in recent memory for the international drugs industry, the Financial Times World Pharmaceuticals Conference heard yesterday.

Mr Henry Wendt, chairman of SmithKline Beecham, opened the meeting in London by reciting a "litany of disasters", including "draconian" government mandated price cuts and/or prescribing restrictions in Italy, Germany, Japan and other countries.

"Apart from the Gatt agreement, which advances protection of intellectual property rights, it's hard to think of any good news for the pharmaceutical industry over the last year," Mr Wendt said. "So it's no surprise that sales and earnings growth is slowing and that many [company] shares have declined by 30 per cent."

Much of the industry's nervousness is now focused on the Clinton administration's proposed US healthcare reforms. "I have no qualms in predicting that, come hell or high Whitewater, healthcare legislation will be signed into law in 1994," said Mr Toby Moffett, a former congressman who now runs Strategic Policy, a US health consultancy.

> 'US healthcare reform will be passed this year'

Mr Moffett forecast that the legislation would be a watered-down version of the original Clinton proposals. But, he warned, "the politicians will feel strongly that they need some populist elements to this bill and that means that slapping down the insurance and pharmaceutical industries will be a prerequisite to passage".

The drugs industry had so far "not been as creative and certainly not as effective as it could be in getting its message across."

But Mrs Virginia Bottomley, UK health secretary, delivered a more reassuring message to the industry in Britain. Delegates were relieved to hear that the government "still remains to be convinced" about the merits of compulsory generic substitution – prescribing cheap unbranded drugs wherever possible.

Her junior colleague, Dr Brian Mawhinney, health minister, had alarmed the industry last month when he said he wanted to discuss ways of extending generic substitution with the British Medical Association.

The Japanese Ministry of Health and Welfare was severely criticised for its cost-cutting methods by Mr Kunio Takeda, president of Takeda Chemical Industries, Japan's biggest pharmaceuticals company.

The policy of steep price cuts every two years had forced manufacturers to launch only slightly modified compounds to cut the time and cost involved in developing new drugs, Mr Takeda said. Such policies would, in the long run, damage the industry.

"If pharmaceuticals companies were forced to sacrifice themselves [because of] unfair measures to contain healthcare expenditure, in the long-run [the policy] would backfire in terms of a deterioration in drug discovery opportunities," he said.

Mr Takeda also complained of the ministry's "closed door" way of decision-making. Consultation with the industry appeared to be a mere formality, he said. The ministry is imposing an average 6.6 per cent price reduction on April 1.

The complaints follow a letter earlier this month sent to the Japanese ministry by the US Pharmaceutical Manufacturers' Association and the European Business Council. It objected to the lack of transparency in the ministry's decisions and argued that changes in policy had been implemented too quickly.

Tokyo suicide warning over drugs

By Paul Abrahams in Tokyo

Japan's ministry of health and welfare yesterday warned that alpha interferons, drugs developed to treat hepatitis and cancer, could cause depression and exacerbate suicidal tendencies. It said 32 people taking the drug between July 1987 and December 1993 had attempted suicide and 12 of them had died.

The announcement is another serious blow for the Japanese pharmaceutical industry. Interferons were one of fastest growing sectors last year in what was otherwise a lacklustre Japanese drugs market.

The stocks of Japanese companies marketing alpha interferons fell sharply. Takeda shares fell Y40 to Y1,250. Baring Securities estimates its interferon generated sales of Y30bn (£190m) last year.

Sumitomo Chemical, which markets interferon under licence from Wellcome of the UK and achieved sales of about Y48bn, fell Y11 to Y464. Yamanouchi shares dropped Y20 to Y2,050.

The news is also a setback for foreign drug companies. The world alpha interferon market was worth about $1.5bn last year, of which most was in Japan. Those affected include Schering-Plough of the US, whose drug achieved sales in Japan of Y30bn last year.

NEWS IN BRIEF

Ford outlines China venture

The Ford Motor company said yesterday it had signed a preliminary agreement with Shanghai Automotive Industry Corp for a components manufacturing joint venture in China, Reuter reports from Dearborn, Michigan.

The US company said its plastic and trim products division and Shanghai Automotive's Yan Feng division would collaborate on producing interior trim components, seats, instrument panels and other plastic parts for the Chinese motor industry. It is Ford's first manufacturing venture in the country.

New bridge to Singapore

The governments of Malaysia and Singapore have signed an agreement to build a M$2.3bn (£568m) second bridge linking the two countries, writes Kieran Cooke in Kuala Lumpur.

The work on the Malaysian section – about two-thirds of the total 2km length of the structure – will be carried out by United Engineers, a company closely connected to the dominant United Malays National Organisation political party. About 50,000 vehicles use the existing bridge and severe congestion problems have developed.

EU pact with Ukraine

The European Union signed a partnership and co-operation agreement with Ukraine yesterday, the first such pact with a former Soviet republic, Reuter reports from Brussels. The pact envisages a future free-trade area between the two sides following an assessment in 1998 of Ukraine's progress towards a market economy.

Finns in Russian deal

Ivo International, the Finnish power company, has signed an agreement to participate in the rehabilitation of 16 power plants and associated heating systems in Russia, mainly around St Petersburg, Michael Smith writes.

The value of the projects, together with the development and commissioning of new environmental protection technologies, will be about FM1bn (£122m). Russia will cover the costs of the projects by currency earned with sales of fuel and electricity to Finland. Most of this power will be the result of savings from modernisations and improvements in efficiency at the plants.

Abu Dhabi mosque bids

Some 20 international companies have submitted pre-qualification documents for a prestige contract to build a 50,000 sq metre mosque in Abu Dhabi. The closing date is April 11, Robin Allen writes from Dubai.

The marble-and-granite structure will be called the Grand Mosque of Sheikh Zayed Bin Sultan II, after the ruler of Abu Dhabi and president of the United Arab Emirates. Estimates put the total cost at some Dh500m (£91m).

Tractebel Al Khaleej was recently awarded the consultancy contract for the Taweela "C" project by the Abu Dhabi water and electricity department, which is building a new power generation and water desalination plant at Taweela, near Abu Dhabi city.

Indians court Sri Lanka

"Sri Lanka looks a much better bet for Indian business than Vietnam", said Mr Jamshyd Godrej, president of the Confederation of Indian Industry, summing up prospects for Indian trade and investment in Sri Lanka, Mervyn de Silva writes from Colombo. Mr Godrej was the leader of a 15-member business delegation visiting Sri Lanka.

Bilateral trade rose from $65m in 1989 to just over $300m (£205.4m) in 1992 but remains heavily in India's favour. The 1993 figure is likely to exceed $350m, according to the local chamber of commerce. "The Indian authorities and big business seem to agree that Indian investment in joint export ventures is the best answer to the widening trade gap. We must try to attract the Indian giants," said a spokesman for the national chamber of industries.

Arvind Mills, a leading Indian textile manufacturer, will set up a $14m textile mill in the north Colombo free trade zone. Two other Indian projects, an asbestos factory and a steel rolling mill, have also been given ministry approval.

Row likely over whether UK too lax in licensing satellite channels which can be seen all over the EU

UK faces Brussels challenge over TV

By Gillian Tett in Brussels and Raymond Snoddy in London

The UK appears to be heading for another row with Brussels following a decision yesterday by the European Commission to start legal action against the British Government for failure to comply with the EU television directive.

The row is about whether the UK is too lax in licensing satellite television channels which can be shown all over the EU.

The commission is taking the UK to the European Court of Justice over the technical issue of jurisdiction. All other EU countries regulate satellite channels in the country where their headquarters are located.

The UK, following the European Council convention on the issue, believes jurisdiction should be up to the country where the programme signal is "up-linked" to the satellite.

The jurisdiction issue masks the real dispute which is abont quntas to preserve European programme content.

Under the directive, cable and satellite television channels have lo carry a majority of European made programmes "wbare practicable." Tbose which do not should move progressively in that direction.

Channels such as Mr Ted Turner's TNT/Cartoon channel licensed in the UK feature predominately American material.

The Commission is believed to have decided to move against the UK on the jurisdiction issue because it might not be successful on quotas because of the "where practicable" qualification.

A new paper on the audio-visual industries throughout the EU is believed to suggest strengtbening the quota system, possibly requiring evidence of direct investment in European programming.

Yesterday's decision means the Commission has decided to try and force the UK to coma into line with the rest of Europe by opening legal proceedings.

The move is likely to be welcomed by France and Belgium, which have complained that the UK's failure to impose EU standards on satellite televisioo have left channels like TNT/Cartoon Channel free to broadcast into their markets.

The present situation, the commission argues, makes a mockery of the single market, since broadcasters can fall under two national licensing systems - or under none, as in the recent case of the pornographic channel Red Hot Dutch, which evaded both UK and Dutch licensing laws.

In December the National Heritage Department in the UK wrote to a number of satellite channels asking what progress they had made to meeting the 51 per cent programme quota.

Coca-Cola on offensive against sub-brand rival

By Robert Peston

Coca-Cola, the world's biggest soft drinks company, is to launch s multi-million pound advertising, public relations and political campaign to prove that there is only one "real" cola.

It is targeting a recent arrival to the UK: Cott Corporation, a fast growing Canadian bottler and marketer of private label soft drinks for supermarkets. Cott is at an advanced stage of negotiations with J. Sainsbury. It hopes the UK's biggest snpermarket chain will launch a cola sub-brand – one incorporating Sainsbury's name and a new trade name – by the end of May.

A raft of expensive consultancy firms have been hired by Coca Cola: Bartle Bogle Hegarty for television and newspaper advertising, Brunswick for public relations, Lowe Bell for political lobbying – as a new trade mark bill goes through the Commons – and strategic marketing advice.

Coca Cola's solicitors Clifford Chance, are aiming to prevent Sainsbury infringing the company's trade marks. Goldman Sachs has also been approached.

Ms Penny Hughes, president of the Great Britain and Ireland division of Coca Cola, said the aim of the campaign would be to persuade retailers that Coca Cola's growth is essential for the growth of the soft drinks market. It also aims to remind consumers that it does not supply ingredients for supermarket brands and that anyone buying Coke is "buying 107 years of authenticity".

According to the marketing consultancy AC Nielsen, Coca Cola was the top-selling grocery brand in the UK last year, with sales of £247m. This represents more than 60 per cent by value of the UK retail cola market, well ahead of Pepsi Cola with more than 20 per cent and supermarket labels with less than 10 per cent, said OC&C Strategy Consultants.

Three years ago the Canadian company began to launch a series of supermarket sub-brands in the Canadian and North American market. Now Cott has 20 per cent of Canada's grocery market with Coca Cola in third place.

Meanwhile Coca-Cola is believed to be unhappy that its UK joint venture partner, Cadbury Schweppes, is to bottle Cott drinks in continental Europe.

Protestors against a bypass near Bath, western England, whicb threatens the bronze age settlement of Solsbury Hill, clambered on construction equipment and occupied empty houses to try to halt the project, writes Roland Adburgham. They threatened to intensify their action to make Solsbury Hill the next campaign on the scale of Twyford Down - a sometimes bitter protest which attracted intensive publicity. Several arrests were made. *Photograph: Colin Beere*

Vets may defy EU over poor standards

By Alison Maitland

British vets warned yesterday they might have to break EU law by refusing to allow vets from certain member states to work in the UK unless training standards in those countries were raised.

The warning comes after a series of outhreaks of disease on British farms which have been linked to infected animals imported from the EU or eastern Europe. Vets expect these outbreaks to increase because the single market has led to a sharp rise in the movement of animals.

Livestock must carry certificates saying they are free of disease. But Britisb vets believe these cbecks are not always being carried out properly in other EU states.

The Royal College of Veterinary Surgeons, to which all vets must belong in order to practice in the UK, said it was concerned about training standards in Italy, Spain and Greece. In some colleges, veterinary students could graduate "without laying a finger on s live animal throughout their five-year course".

The college, backed by Mrs Gillian Shephard, sgriculture minister, is pressing the European Commission to drop plans to withdraw funding of Ecu60,000 a year for regular visits by independent experts to all vet schools in the EU. The aim of tbese visits is to ensure common standards are maintained.

Since the advent of the single market last year, the number of cattle coming into the UK has increased tenfold.

Comprebensive border cbecks on livestock imports have been abolished. But concern about tbe rising incidence of disease, such as viral arthritis in borses and warble fly in cattle, prompted the government in November to introduce tighter checks on imported animals once they reached their destination.

Major overhauls UK secrecy code

By James Blitz

The government announced an overhaul of the system by which highly secret government documents are classified, claiming that its reforms would reduce tbe amount of official information that is withheld from the public.

In a parliamentary written answer, the prime minister said he had approved new and more detailed definitions of the four categories – Top Secret, Secret, Confidential and Restricted – with which sensitive documents are classified.

The new system may help the government to allay criticisms that may emerge from the Scott inquiry into Arms-for-Iraq and which are at the heart of the inquiry into the Pergan dam deal with Malaysia. But pressure groups and opposition MPs were sceptical about whether it would lead to more disclosure.

At the moment, the classification "Top Secret" is blandly defined as "cauing exceptionally grave damage to the interests of the nation." This is now to be replaced by a 200-word definition –incloding phrases like "to lead directly to widespread loss of life", which explains why the document should merit the description.

However, campaigners against official secrecy said the reform would merely give departments more elaborate reasons to withhold information when a new Code of Practice on Government is introduced in the next few days.

The code, is being hailed by ministers as breakthrough in freedom of information, giving the public the right request factual information on government activities.

Interest rate hopes ebb on poor retail price figures

By Philip Coggan, Economics Correspondent

Disappointing inflation figures for February dashed hopes of an early cut in base rates and pushed UK share prices down sharply yesterday.

Retailers raised prices during the month, particularly on clothing and footwear, following heavy discounting in the January sales.

In London the FT-SE 100 index dropped 46.2 points yesterday to 3,155.3, a tow for the year. Gilt prices also dropped, with the June long gilt future falling by three-quarters of a point.

The retail prices index rose 0.6 per cent month-on-month, according to the Central Statistical Office, more rapidly than the 0.4 per cent analysts had been expecting.

The beadline rate of inflation, the annual rise in the RPI, fell to 2.4 per cent in February from 2.5 per cent in January, as a substantial increase in February 1993 dropped out of the annual comparison.

Analysts had been hoping that the RPI figure would fall to 2.2 per cent.

Similarly, the underlying annual rate, which exclndes mortgaga payments, was unchanged at 2.8 per cent compared with the consensus forecast of a fall to 2.6 per cent. The government's present target range for underlying inflation is 1-4 per cent.

Recent inflationary signals have been mixed with weak figures on producer prices in February offset by news of a small rise in the annual rate of growth of average earnings in December.

Some traders had been boping that good inflation figures yesterday might allow the government to reduce base rates from their current 5.25 per cent. However, Mr John Marsland, economist at the broker UBS, said the "disappointing figure puts back the date of the next rate cut".

Mr Eddie George, governor of the Bank of England, and Mr Kenneth Clarke, the chancellor of the exchequer, will hold their next monthly monetsry meeting on March 30. Analysts think it unlikely that the pair will want to cut base rates without some evidence thet February's inflation figures were a blip rather than a sign of an upsurge in price pressures.

The last rate cut, announced on February 8, was seen by many analysts as badly timed as it coincided with the publication of a Bank of England inflation report which referred to an "asymmetric" risk of a rise in inflation.

Mr Adrian Cooper, UK economist at broker James Capel, said the autborities wonld want to wait until the Marcb inflation figures were announced (on April 15) before making a cut.

Eggs get adverts on their face

By Diane Summers, Marketing Correspondent

From next Monday morning breakfasters will be able to read their boiled eggs, as well as their cereal boxes. British Telecommunications has taken advertising space on 13.5m eggs to promote its new daytime phone charges.

BT said the eggs, which will bear the message "Wake up to BT's new Daytime Rate", were a "cheap medium" enabling it to get over the message that tbe old peak cbarges have been abolished.

European ministers failed to agree in September last year about whether advertising on eggs should be allowed bnt gave the go-ahead for a two-year trial of the techniqne.

Agency Holmes & Marchant Blitz, which is producing the BT advertising, said the campaign was the first such large-scale promotion in Europe, although it believed egg advertising had been tried in Israel. However, British eggs dld carry a lion symbol, denoting hygiene standards, until the early 1970s.

The advertisements are printed on the eggs using a high-pressure jet blowing dots of food colouring. Over 20 packaging stations have been equipped to print the patented "Eggverts". The eggs will be distributed through supermarkets in time for Easter.

Mr Gareth John, of Holmes & Marchant Blitz said that retailers were now demanding date marking on eggs. "If consumers are to benefit from this and existing low prices, egg packers need to cover the extra cost they incur in installing the printing equipment."

Rover plans Bulgarian production

By Kevin Done in London and Virginia Marsh in Bucharest

Rover group is aiming to begin assembly of its Maestro car and van range in Bulgaria by the eud of the year.

The UK carmaker, a subsidiary of BMW of Germany, said last night that it expected to set up a joint venture company witb Bulgarian banks and other local partners within six months.

Rover plans to cease production in the UK of the 11-year-old Maestro, a small family car first launched in 1983, in the autumn this year.

The Maestro assembly line equipment will be sbipped from Rover's plant at Cowley, Oxford to a plant at Varna on the Black Sea.

Rover said that the Maestro would be assembled in Bulgaria from CKD (completely knocked down) kits supplied from Cowley.

It is planning to produce up to 10,000 Maestros a year in Bulgaria with a significant share of the output to be exported to other markets in east Europe.

Rover is expected to take a significant minority stake in the joint venture, which would be secured through tha provision of the car and the transfer of technology.

It would not make any financial contribution to the venture, tbe company said last night.

It is planned that the joint venture would produce both car and van derivatives of the Maestro range and both would be equipped with tha 2 litre diesel engine currently fitted in both the Maestro and Montego ranges in the UK.

A 12-man team from Rover is currently in Bulgaria investigating the plant in Varna, where the Maestro will be assembled. "We are going to strip out the plant and re-fit it," tha company said last night.

"We hope to hava set up the joint venture company within six months," said Rover last night. "And we hope to start production by the end of the year." Rover has already established a representative office in Sofia.

● Dagenham Motors, the south-east of England Ford dealer group, is raising £9.9m through a 2-for-5 rights issue, its first share issue since tbe company was floated in 1988. The group increased its pre-tax profits by 58 per cent last year to £2.35m (£1.48m) for the year to December 31 ending four years of decline. Before tha recession profits peaked at £4m in 1988.

Details, Page 20

Major's new Gaullism seen as synthetic affair

An increasingly frustrated PM may be on the ropes, writes Philip Stephens

When Margaret Thatcber raged about Europe invariably it was a sign a weakness. The argument was running against ber. She needed an outlet for her frustration.

Nothing bas changed. Mr John Major's newly discovered Gaullism is a synthetic affair. He has cbosen to fight Britain's partners over voting rights in an enlarged European Union because his position is weak, not strong.

That anyway was the judgment both of Tory Eurosceptics who applauded his tirade this week against Brussels and of Europe enthnsiasts who warned the party may be on the verge of another civil war.

Mr Major has decided be needs the support of the Tory right – the group he courted then abandoned when they had secured his succession to No 10 – if he is to survive the summer.

The parallels with last autumn are unmistakeable. Then Mr Major launched his ill-fated back to basics initiative to rebuild bridges with his ideological enemies.

Now the prime minister who promised to put Britain at the heart of Europe is picking a fight with its partners. Tha European elections in June will be fought on a nationalist platform: Britain for the British one rightwing minister suggested as an appropriate campaign slogan.

Mr Major appears genuinely determined not to give way over the size of the blocking minority. He has no qualms about relying on soclalist Spain as his only ally.

Mr Douglas Hurd, whose public manner suggests that be finds the prime minister's rhetoric distasteful, cannot now sign up to any formula which looks like a retreat.

Mr Major claims the bulk of his party is behind him. It is true that since the stand was taken on defending the mis-named "Britisb veto" back-bench opinion has hardened.

Demoralised Tory MPs see in the battle with Johnny Foreigner a chance of easy head-lines. Tbey are encouraged that a leader more typically swept along by events is ready for once to back up tough words with tough action.

Many Conservatlves swallowed the rhetoric used by Messrs Major and Hurd to sell the Maastricht Treaty. That accord they were told, marked the and of the road for Europe's centralists. Tbe nation state would return centre-stage.

Mr Hurd, wbo once more accurately described the treaty as "an bonourable draw", never believed his own propaganda. But it is too late for the foreign secretary to admit that.

So the long-songht entry to the Union of Sweden, Norway, Finland and Austria cannot be seen to dilnte the government's power to block unpalatable decisions.

There is a similar mood among Tory party activists, many of whom are said by pro-European MPs to belong to the When-in-doubt-bash-a-Kraut school of politics.

Then there is the cabinet.

It has a large pro-European majority. Mr Michael Heseltine may have given a Eurosceptic edge to recent public pronouncements but within government be has continued to argue the European case on almost every issue of substance.

The combative Mr Kenneth Clarke likes picking fights witb Brussels – just as did with local autborities and trade unions – but his fundamental commitment is not in doubt.

But on this issue both Mr Clarke and Mr Heseltine appear ready to see Mr Major fight to the end. It is no accident that they would lead the betting for the succession in any future leadership crisis.

What is less certain is how the pro-Europeans will respond if Mr Major walks over tbe brink: if enlargement of the Union is seriously delayed. The enthusiasts on the back-bencbes have so far allowed the sceptics to make the running. Now they are threatening a resumption of hostilities. There might be a happier ending to the present row. Mr Hurd is working on a number of possible compromises whicb would preserve the substance of the British suggestion.

Much work is being done on a proposal which would hold the blockiog minority to 23 votes for contentious social issues while increasing it to 27 votes for less controversial directives. Mr Major would offer such a deal as a guarantee that Britain's opt-out from Maastricbt's social cbapter could not be circumvented.

The Tory backbenches would cheer him for a day or two. The election posters would declare that here was a leader who battled for Britain.

But Mr Major would oot win respect. He is by instinct a Tory of the centre-left. He is a pro-European. But many of his natural supporters are now ready to desert him in any leadership crisis. If it comes to that be will find no refuge with new-found friends on tbe right.

Britain in brief

Birch and Fife fields get go-ahead

The government approved the development of the Fife and Birch oilfields in the North Sea. The development of Fife, east of Aberdeen on the Scottish coast, is of particular significance, as it will use a floating production and storage system on a converted tanker - an innovative system which allows the tapping of small reserves.

Amerada Hess and Premier Consolidated Oilfields, partners in the Fife field, will lease a vessel which will be moored over the field for the four years or so that it will take to drain the estimated 34m barrel reservoir.

The vessel will be secured to the seabed by nine chains attached to undersea piles. It will rotate around a turret through which pipelines attached to the wells will pass. The ship's propulsion unit will be retained to allow it to move in very severe storms - bnt normal winter weather will not affect it position.

Funds increase investments

Investment by UK pension funds, insurance companies, investment and unit trusts shot up last year, reflecting the rebuilding of personal savings and a switch by savers away from casb and into securities.

The Central Statistical Office said yesterday that total net investment by institutions in 1993 was a record £52.2bn compared with £35.8bn in 1992.

Green tech surplus £234m

British environmental technology companies generate a trade surplus of £234m, a government report said yesterday. The world market for pollution control equipment and services is now worth some $210bn. It will grow to some $320bn by 2000 and $570bn by 2010, the report estimates.

The UK is particularly strong in water treatment, according to the report, which is prepared by Ecotec, the consulting firm, and a research group set up by the industry and environment departments. The UK's expertise in water technology has developed during the industry's modernisation programme, which could cost some £40bn this decade.

'Superhighway' plan criticised

Mercury, the main competitor in the UK to British Telecommunications, came out against the construction of a national fibre "superhigbway", but supported lifting the existing entertainment ban on BT in return for a more favourable regulatory regime.

Lord Young, chairman of Cable & Wireless, Mercury's parent company, told the House of Commons trade and industry committee that he favoured the development of competing local networks to deliver services rather than a BT fibre monopoly at the local level.

Society to cut 550 jobs by '95

Up to 550 jobs are to be axed by building society and bank giant Alliance and Leicester by 1995 under a restructnring programme, the group announced.

PO signals compromise

The Post Office is ready to accept the possible break-up of the corporation by the government with the privatisation of its mail and parcels businesses, keeping counter services in the public sector.

Post Office executives are also keen to see the counter services given greater commercial freedom so tbey can operate more competitively.

The government may see this as a way out of the current impasse on the Post Office's future.

Norbrook lab to expand

Northern Ireland's leading pharmacentical company is to create 235 jobs as part of a £38.4m investment programme.

The expansion of Norbrook Laboratories was announced at the company's headquarters in Newry, County Down.

Norbrook, which has plants in the Irisb Republic, England, Amsterdam, America and Africa, exports to almost 100 countries.

McGuinness call for talks

The stalemate in efforts to embrace the republican movement in the Northern Ireland peace process was underlined yesterday by Mr Martin McGuinness, a senior member of Sinn Féin, wbo ruled out progress without face-to-face talks involving the British government.

TECHNOLOGY

Xerox pioneered much of today's PC technology. Its latest work could be as influential, says **Tom Foremski**

The power to invent the future

Brian Tramontana and Andrew Aronson

On hand: Xerox envisages a workplace bristling with computers such as ParcTab

If Xerox, the US document-processing company, had turned all its bright computer ideas into money, it would be one of the richest and most influential companies in the world.

Located in the heart of Silicon Valley, California, the Xerox Paln Alto Research Centre (Parc)did the pioneering work for much of today's personal computer technology. This included the first personal computer, graphical user interfaces (the link between the user and the computer) featuring icons and n mouse, laser printers, local area networking and object-oriented computer languages for faster software development.

Now, two decades after its foundation, Xerox Parc is working on projects that could become as influential as its earlier efforts. But this time, it is determined not to let them slip through its fingers and be exploited successfully by others.

Under the leadership of Xerox's chief scientist, John Seely Brown, the research centre continues to be a breeding ground of innovative ideas that could change the way people use and interact with computers. Paul Saffo, a research fellow at the Institute for the Future, a technology think-tank in California, says Brown and his colleagues at Xerox Parc are "producing some of the most innovative ideas around".

Xerox likes to be known as "the document company". It might seem strange for a business focused on paper and photocopiers to pioneer computer technologies that have promised the "paperless office". But personal computer technologies have increased the use of paper: graphical user interfaces make PCs easier to use and cheap laser printers have helped to generate more paper documents than before.

"Our mission at Parc is to find novel ways of handling the document," Brown explains. "We recognise that the document is essentially a social artefact."

This has led to technology such as PaperWorks, which can embed computer instructions invislbly within paper documents, thus bridging the gap between paper and electronic documents.

It has also led to the development of advanced computer display screens that have many of the same qualities as paper documents. Xerox Parc's active matrix liquid crystal display screens have very high resolntions, hetter than laser-printed paper documents.

With its partner, AT&T, Xerox Parc is developtog commercial versions of the LCD screen in a way that could revitalise the LCD industry in the US and win back market share from Japan.

Bnt it is the acknowledgement that there is a social dimension in the way computers are used that is producing some of the most interesting developments at Xerox Parc.

"One of the themes here is how to use the tremendous advances in computer technologies in a way that will bring simplicity to life and not just keep adding features and complexity that cause people to feel overwhelmed," Brown says.

To make computers more effective, the user interface must be improved. The best computer interface, as far as Brown and his researchers are concerned, is one of which they are hardly aware.

Last year, Xerox introduced the LiveBoard, an electronic whiteboard or chalkboard. Linked by telephone lines or a network, people in remote locations can draw and write on the 67in-wide LiveBoard screen during collaborative work sessions. "The Liveboard is what I like to call 'shoulder-to-shoulder computing'. I've seen people use it and forget that they are using a computer system," Brown says.

"It is part of our goal to build compnter systems that support a distributed workplace, with the same kind of social dynamics that we are used to."

The LiveBoard is part of a concept known as ubiquitous computing. It envisages a workplace in which people are surrounded by bundreds of computers. Some are tiny, like the ParcTab, about the size of a Post-It note, while others are nn larger and only slightly thicker than a sheet of paper.

Workers in this office of the future wnuld wander aromnd with a small computer ID badge. Through infra-red connections, the badge would announce them to all the nearby computer devices in their vicinity. It would not only trigger automatic doors, hnt also identify users to the computers. During a meeting, for example, an office worker would be able to use whatever computer device was nearby to do work, receive messages from colleagues and send out requests for information. This would essentially take the "personal" out of personal computer.

Brown explains that providing information to workers at the right time and "capturing" their knowledge will be of key importance for companies. This is where adaptive learning comes into play. Brown is the founder of the California-based Institute for Research on Learning, whicb addresses tha problems of lifelong learning and bow that applies to corporations as well as individuals.

"There are 100,000 people at Xerox. Each one of us is learning and inventing every day. If you want to master the enterprise, you have to develop technologies that capture that knowledge in ways that can be used to benefit the organisation," Brown says.

With fast-changing markets and increasing demands for employees to master new skills, the ubiquitous computers become essential tools that create what Brown calls a "knowledgescape". Computers become gateways for tapping an organisation'a knowledge base and also adding to it.

Like other computer companies, Xerox Parc is also interested in ever smaller computers. But its focus exteods beyond palm-top computers to the molecular levcl, a science known as nanotechnology. This borrows some of the techniques used by makers of silicon chips except that instead of making electrical circuits, microscopic mechanical machines can be constructed.

The key to developing effective nanotechnologies is being able to manipulate individual atoms and molecules. Xerox Parc researchers claim that with such precise control, it would be possible to build a computer no larger than a sugar cube that would be more powerful than all the world's computers combined. That, bowever, is still some way off, even for Xerox Parc.

More than computer experts

Xerox Parc was founded in 1970 and quickly established a reputation as a hotbed of new computing ideas. The company hired experts not only in computers but also in other disciplines such as linguistics, anthropology, psychology and social sciences.

Abont a third of the 325 researchers have no academic qualifications in computer science or electrical engineering. Xerox Parc owes mnch of its creativity to its campus-like setting and a very informal atmosphere.

Peter Redford, an electronics engineer and president of TV Interactive, worked there in the 1970s. "It was an incredible place. If you ran into a problem, you could talk with all kinds of people in different fields. People would walk around barefoot and work 20 hours per day. It was a very comfortable work environment, like working at home," he said.

While Xerox Parc developed cutting-edge technolngies, its parent group was not very good at marketing them. But others had little trouble in making money out of ideas born at Xerox Parc. When Steve Jobs, then head nf Apple Computer, and Apple engineers visited Xerox Parc in the late 1970s, they were amazed. They saw workstations with graphical user interfaces equipped with a mouse. Jobs is reported to have asked: "Why aren't you marketing this?" He had glimpsed the future and began to assemble a team to create a new Apple system. The team's work led to the Macintosh compnter.

Other companies also benefited from thc technology at Xerox Parc, including laser printer makers like Hewlett-Packard, and Microsoft with its Windows graphical user interface. Xerox Parc staff have gone on to found their nwn companies nr direct technology development at large computer concerns.

Xerox has learnt from its mistakes in not capitalising on its innovations. It has a venture capital division which helps to set up spin-off companies such as Parc-Place Systems, the developers of the object-oriented SmallTalk language.

Xerox has also entered into partnerships with other companies – as with its LCD technology – to develop commercial prodncts. It has licensed its technology and formed new divisioos, like the Xerox Advanced Office Document Systems division, which is developing commercial products based on its "smart paper" technology.

Legislation drives the innovators

Clive Cookson on optimism among environmental innovators

The environmental technology industry – which is growing so rapidly that its sales may exceed world chemicals production by the end of the ceotury – is holding its showcase UK exhibition this week.

UK companies lag well behind their competitors from Germany, Japan and the US in the world environmental technology market. According to a recent OECD report this market is worth \$200bn (£140bn) a year, with growth projected to between \$300bn and \$600hn by 2000.

Even so, the 300 exhibitors at the ET94 show in Birmingham were in nptimistic mood. Many believe that the fledgling UK industry is on the brink of an export breakthrough, with continental Europe the main target. Exhibitors agreed that growth in all sectors of the market – air pollution control, water and effluent treatment, and solid waste management – was driven primarily by legislative requirements.

"If the UK enforces decent environmental legislation, it gives a great stimulus for us to develop the technology and then use our home market as a base for expansion into Europe," says William Averdieck, managing director of Pollution Control & Measurement Europe.

PCME was founded in 1990 with private funding to commercialise an innovative dust emissions monitor. The monitor works by detecting the transfer of electric charge from dust particles to a probe in the factory chimney. It is particularly suitable for measuring low dust levels in small smokestacks.

There have been two vital ingredients in PCME's success, Averdieck says. One was the demand created by the 1990 Environmental Protection Act for industrial dust monitors. The other was a grant from the Department of Trade and Industry's Environmental Technology Innovation Scheme to develop the product in collaboration with Imperial College, London, and Johnson Matthey, the metals group.

Now PCME's D-Tech dust monitor has 60 per cent of the UK market for small-stack monitoring equipment and export sales are growing. At ET94 this week, the company launched its first product for the traditional "large stack" market, including power station chimneys. It uses "optical scintillation" technology to measure dust levels from the variation in a light beam across the chimney.

However, not all the innovations at ET94 came from new companies. Montec, a 20-year-old company bought last year by Northumbrian Water, has developed a monitor for low volumes and flows of liquid effluent.

Bryan Jackson, Montec sales engineer, says this market is driven by the National Rivers Authority's policy of making companies pay to discharge effluents into rivers and fining them for unauthorised discharges.

Another feature of ET94 is the number of UK government agencies that are selling environmental services. They include AEA Technology, the Meteorological Office, Natural Environment Research Council and Adas, the farm advisory and research service.

The latter carried out £42m worth of environmental consultancy last year, according to Chris Stansfield, Adas bead of land development. It expects to pick up more business from the Waste Management Licensing Regulations which become law on May 1. They will drive up waste disposal costs and make it more attractive to recycle waste or use it on the land.

Colin Rudd, Adas waste management consultant, says: "It will certainly pay producers to conduct feasibility studies in their waste disposal nptions now."

Four years of Adas tests and evaluations have borne fruit for National Power and PowerGen. These show that gypsum – a mineral produced in large quantities by "flue gas desulphurisation" plants from coal-fired power stations – can be spread on fields to improve the soil, rather than dumped in expensive landfill sites.

CONTRACTS & TENDERS

MANAGEMENT: MARKETING AND ADVERTISING

Is Kingfisher's unexciting performance down to its strategy of permanently low prices, asks **Neil Buckley**

Potential cost of selling it cheap every day

Is everyday low pricing the right retailing strategy for the 1990s?

Yesterday's relatively lacklustre UK results from Kingfisher – the Comet, B&Q, Superdrug and Woolworth group – raises a question of growing interest to City analysts and competitors in the retailing industry.

Kingfisher unveiled a jump in 1993 pre-tax profits from £205m, before exceptional items, to £309.3m – apparently a strong performance. But much of the gain came from last year's £1bn acquisition of French electrical retailer Darty, without which earnings growth since 1990 would have been unexciting.

The blame in some quarters is being put on the strategy promoted by Sir Geoffrey Mulcahy, Kingfisher chairman, of cutting prices, which has resulted in lower margins but disappointing volume growth. Sir Geoffrey, however, is adamant that the approach is sound, but that it needs time.

"The combination of a shift away from promotions and sales to everyday low pricing, stronger merchandise ranges and significantly improved customer service generally resulted in promising increases in like-for-like sales," he insists.

Everyday low pricing dates back to the start of modern retailing last century, to Woolworth's "Five and dime" stores in the US or Marks and Spencer's penny bazaars in the UK. There have always been "discount" retailers concentrating not on high margins, but on selling large volumes of goods as cheaply as possible.

What refocused attention on the potential of that approach in the late 1980s – especially in the US – was the huge success of discount chains such as Wal-Mart and Kmart, and other new formats such as warehouse clubs, or "category killers" like Toys R Us, whose central philosophy is EDLP.

The theory is that in chains which tightly control costs, lower prices should increase volumes and market share, generating increased profits and buying power which can be used to cut prices further – the so-called "virtuous circle".

Other retailers experimented with a consistently low-price stance. The shift to EDLP was given further impetus in the US when the consumer goods giant Procter & Gamble decided in 1991 to adopt an EDLP approach in supplying retailers, ending "trade allowances" – periodic discounts to retailers to allow them promote brands at lower prices.

By mid-1992, one US survey found six out of 10 packaged-goods manufacturers and almost half of all retailers had implemented or tested EDLP.

Now EDLP, value pricing, or "investing in margin", are becoming buzzwords among UK retailers – partly in reaction to the recent influx of US and continental European discount formats.

Kingfisher has been the most vocal proponent, although Sir Geoffrey's EDLP campaign kicked off in earnest only a year ago, with the introduction of permanently reduced "key lines" in his chains. Some retail experts support his claim that it is too early to judge the results.

They argue customers are slow to pick up the low-price message on high-ticket products purchased only infrequently – such as those in Kingfisher's B&Q DIY chain or Comet electrical chain.

Critics counter that the results of EDLP should have been seen more quickly in lower-ticket chains such as Woolworth. They also point to the apparent success of EDLP elsewhere.

One example is Marks and Spencer, which has not referred to it as such, but which some analysts argue has effectively adopted an EDLP approach. Its "Outstanding Value" campaign, launched in autumn 1992, froze the price of 75 per cent of its products, and reduced the price of the remainder.

The campaign brought a significant increase in volumes, attested to by M&S suppliers, and a 21 per cent increase in profits in the latest half-year to £308m.

Moving to permanently low pricing has been central to the recovery of the Asda and Gateway grocery chains, after both ran into difficulties in the early 1990s. Asda was reported last week to be strengthening its commitment to EDLP with a call to its suppliers to move away from periodic discounts towards consistently lower prices.

Yet, strangely, a limited move to EDLP does not seem to have worked at the UK's biggest grocer J Sainsbury, which indefinitely cut the price of 300 own-label products accounting for 10 per cent of sales last October. The result, revealed in January, was a 0.4 per cent drop in gross margin and a 1 per cent underlying fall in sales.

Analysts suggest that Sainsbury's move, like Kingfisher's, suffered from poor marketing.

Yet both ran higher-profile campaigns than Marks and Spencer.

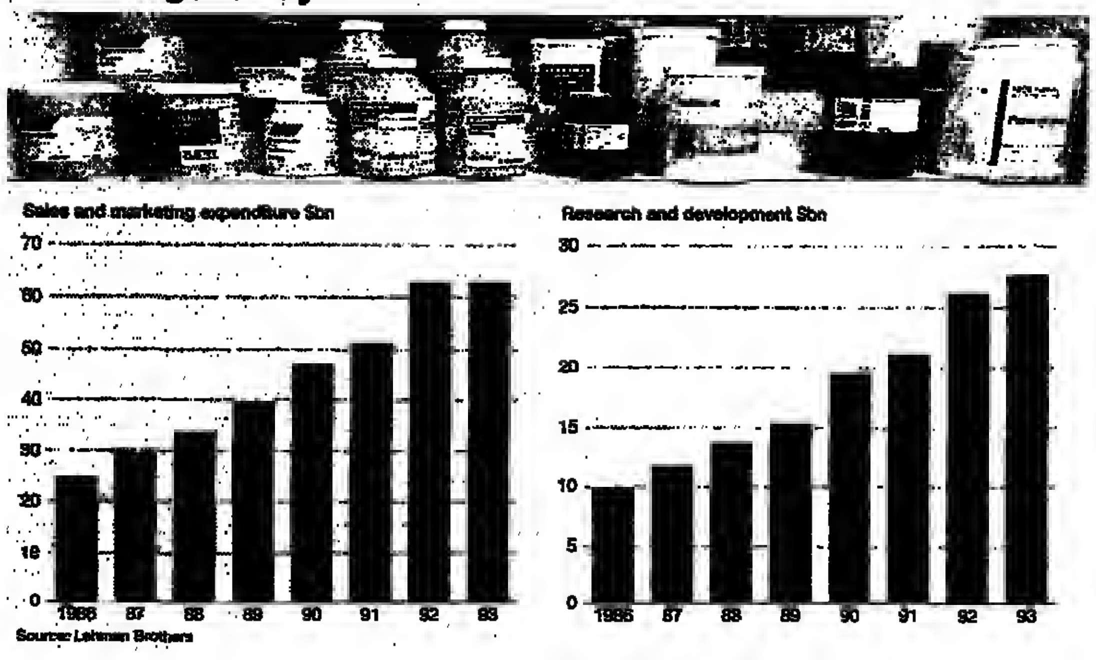
"I am still convinced EDLP will play a major role in UK retailing in the 1990s," says Richard Hyman, director of retail research group Verdict. "Kingfisher has taken an important step in introducing it into its corporate strategy."

Whether or not such predictions come true, it is already clear that simply cutting prices may not bring customers streaming through the doors. Getting the range of products and customer service right, and effectively communicating the message to consumers, are an integral part of the process.

Economists in the salesforce

Drugs companies are focusing their sales efforts on the financial implications of treatments, says **Daniel Green**

World drug industry



Source: Lehman Brothers

The world has changed. We used to market to pharmacists, physicians and hospitals. Now it will be governments and companies. We must do more than show that a drug is safe and works. Wa must demonstrate it has a good economic outcome."

These are the words of Jan Leschly, incoming chief executive of Anglo-US drugs company SmithKline Beecham, at last month's annual results presentation. He was outlining an important transformation in drugs company marketing: the recruitment of economists.

The world's drugs companies spend at least $60bn (£34.2bn) a year on sales and marketing, according to analysis by the stockbroker Lehman Brothers. The figure represents about one-quarter of their total sales revenue and more than twice as much as they devote to research and development.

The money is devoured by fleets of sales executives – big names such as Merck, Glaxo and Pfizer have more than 1,000 in the US alone – as well as by large budgets to advertise in medical journals.

Making money in pharmaceuticals has long been about persuading doctors to give up the tried and tested in favour of something new. But that is not enough any longer. Government healthcare reforms around the world, designed to tighten controls on spending, have already cut drug prices in Japan and sales in Europe. Some drugs are no longer available on national health services. Others have had price cuts imposed.

In the US, the world's biggest market with about one-third of global sales, the pharmaceutical industry is not only learning to cope with deal-minded hospital chains and insurance companies, it is bracing itself for the Clinton administration's reforms.

Drug companies have concluded that they need to convince the organisations which pay – governments, employers or insurance companies – that a particular drug offers good financial value.

Sandoz, the Swiss company, for example, has formed a core group of three economists at its Basel headquarters and several more are employed in subsidiaries outside Switzerland. They write studies on the economics of different courses of treatment. Sandoz publishes some of them, others are submitted to learned journals.

"The pharmaceuticals industry is being increasingly forced to use the tools of health economics," says Bill Fulliger, head of corporate marketing at Sandoz.

"Buyers increasingly require a demonstration of value for money. It is not public relations, [it is applicable] anywhere there is a competing demand for health sector funds such as [a decision between] a hip operation or a kidney transplant," he adds.

Fulliger argues that the work has already helped to persuade many healthcare buyers that a kidney transplant, for instance, is cheaper than kidney dialysis when costs are compared over the longer term. Sales of the company's drug Sandimmun, which cuts the chances of a new kidney being rejected, are worth more than SFr1.1bn (£500m) a year. It is now the company's biggest selling product.

Glaxo, Europe's biggest drugs company, is using pharmacoeconomists slightly differently. It first employed them in the US in 1989 and the idea is now being transplanted to Europe. The company currently employs about 50 people in the field.

The Glaxo pharmacoeconomists are part of its R&D function: last year *the company split R&D into* basic research and "commercial development".

The economists work in both groups and the results are used to determine how "sellable" to payers a drug under development is likely to be, and in the selling process itself.

Glaxo says its economists are not trying to measure human health in cash terms. Greg Boyer, a pharmacoeconomist on secondment from Glaxo in the US to the UK operation, talks of persuading governments of the cost benefit and of "the value to society" of a new drug.

"We want to be sure that we don't limit ourselves to pounds and dollars. We want to study the whole patient outcome, to capture patients' ability to do productive work," says Boyer. This would mean examining the economic benefit to a society of using drugs. Would, for example, the sick-pay bill be reduced, as well as the more direct costs of nursing?

Involving the effect of drug prescribing on society as a whole is an *ambitious goal* and *not one to* which buyers are necessarily sympathetic. Governments such as Australia's, which requires an economic analysis of a drug as well as clinical data to be submitted for approval, exclude reference to the benefits for society. "Governments are reluctant to allow that kind of information to get to the negotiating table," says Boyer. It is easier to look at the bottom line of a hospital pharmaceuticals budget than the cost to a country of a treatment, he says.

This has not stopped SmithKline Beecham going down the same route. Bob Demarinis, head of outcome research and pharmacoeconomics at SmithKline's Beecham's Pennsylvania offices, says evaluating the widest possible economic impact is an essential part of his work. His team of eight people works at all stages from R&D through to the commercialisation of a drug.

Healthcare buyers increasingly demand to know what the effect on their overall finances will be when they opt for one drug or another, he says.

SmithKline Beecham is recruiting more pharmacoeconomists where it can find them. The task is not easy: at least one other large pharmaceuticals company admits that the shortage of qualified people is such that it has to train them inhouse.

PEOPLE

Pentos seeks to turn over a new leaf at Dillons

Pentos has had a rough time of things lately; no signs of fair weather in the offing yet either, as Frank Brazier, 50, chief executive of Dillons, the hookstore chain, yesterday abruptly cleared his desk and departed from the Pentos board and the helm of Dillons after spending 11 years with the company.

Bill McGrath, Pentos' chief executive, was unavailable for comment on Brazier's resignation, though his going will inevitably be seen in the cootext of Pentos' recent financial and structural difficulties, which some close to the company describe as a "borrible mess". McGrath formally took over as chief executive at the beginning of this year.

Analysts are forecasting significant group losses for the current year's trading, following exceptiooal charges likely to be near the £30m mark.

Having paid £3.7m for 53 Ryman Computer Stores two years ago, Pentos sold off the chain for £100,000 at the beginning of this year to Peopie's Phone. Some of the group's 172 Athena poster shops are believed to be on the market. Group debts peaked at £86m before Christmas.

Strapped for cash, Pentos is imminently expected to announce a rights issue in order to fill a black hole which some expect to be as high as £65m in total losses this year.

Back in February the group was ticked off by the Financial Reporting Review Panel for failing sufficiently to disclose the level reverse premiums oo its shop leases – the payments made by landlords to attract key tenants – contributed to 1992 profits.

Turning the pages of Pentos' recent fortunes bas oot, therefore, been a happy experience, and recovery will not be easy.

Evidently McGrath baa thought it time to act, and to address Dillons' problems at a senior level, Paul Hogarth, 51, has been brought back to be operations director from a similar role with another part of the group, the Ryman statiooery stores.

Meanwhile, Brazier's successor is to be Joe Sinyor, 36, former chief executive of the clothing company Pepe Croup between 1990 and 1992. Sinyor's title will be managing director at Dillons; be will have his feet under the table by the end of March. His strategic expertise will come in handy at Dillons, where control over inventory levels and management information systems is regarded as having gooe rather awry.

Bodies politic

Training mediators as well as coping with such hands-on jobs as sorting out a dispute hetween a minister and his church elders are among the challenges facing David Richbell in his new job as director of training at the Centre for Dispute Resolution.

It is a job that 50-year-old Richbell, a lay preacher and fully accredited CEDR mediator, says he will find deeply satiafying. "Mediation fulfils my belief in reconciliation and peacemaking," be says. "I am extremely unhappy with the adversarial legal system as this polarises peopie into more entrenched roles."

CEDR is much smaller than Acas, the advisory, arbitration, and conciliation service which is financially backed by the government. Rather, CEDR is an independent, non-profit making organisation, backed by a number of bodies including the Confederation of British Industry. Richbell says CEDR can handle any kind of mediation between parties in dispute, except criminal cases.

■ Sir Brian Pearse, about to retire as chief executive of Midland Bank, has been appointed chairman of BRITISH INVISIBLES.

■ Ron Adams, a former marketing and sales director at Cookson Group, has been appointed secretary-general of the BRITISH CERAMIC PLANT & MACHINERY MANUFACTURERS' ASSOCIATION.

■ Ken Hairs, general manager of Continental UK, has been appointed president of the GRAIN AND FEED TRADE ASSOCIATION.

■ Paul Preston, president and ceo of McDonald's Restaurants in the UK, has been appointed chairman of the EMPLOYERS' FORUM ON DISABILITY.

■ Barry MacDonald, formerly finance director of Reuters Telavision, has been appointed director of finance at the SPASTICS SOCIETY.

■ Ropert Nabarro, md of Investment Property Databank, has joined the board and Peter Long, formerly a project director with Arlington Securities, has been appointed property director of the BLACK COUNTRY DEVELOPMENT CORPORATIDN.

■ Robert Peel, chief executive and deputy chairman of Mount Charlotte Investments, has been appointed president of the BRITISH ASSOCIATION OF HOTEL ACCOUNTANTS.

■ Sir John Egan, chief executive of BAA, has been appointed to the board of the BRITISH TOURIST AUTHDRITY.

■ Richard Close, md finance of the Post Office, has been appointed chairman of the board for Chartered Accountants in Business of the ICAEW.

■ David Russell, formerly chief executive of Coats Industrial, has been appointed chief executive of SCOTLAND IN EUROPE on the retirement of David Ross.

■ Tom Butler, md of EDS-Scicon; Barry Dennis, director-general of the National Association of Waste Disposal Contractors; Hugh Morison, director-general of the Scotch Whisky Association; Ernest Murray, director of advances and credit policy, TSB; David Parker, director-general of the UK Petroleum Industry Association; Brian Venables, company secretary of the Electricity Association; and David Vicary, chairman of the Chamber of Coal Traders, have been appointed members of the CBI's national council.

■ Richard McLaughlin, a former director of Wimpey Group and chairman of Wimpol and Wimpey Environmental, has been appointed director and general manager of BSI Quality Assurance, the certification arm of the BRITISH STANDARDS INSTITUTION.

■ Robert Hillier (below), md of Hillier's Nurseries, has been appointed chairman of HAMPSHIRE Tec.

Electronic switches

Why should a former chief secretary and deputy governor of the Turks & Caicos Islands, one of the UK's few remaining dependent territories, have heard of Kapiti? And what made him take the post of human resources director with one of the UK's more outlandishly named financial systems suppliers?

The answer is that Mark Forrester, now 49, has had a broad and varied career including spells as private secretary to both Sir Edward Heath and Lord Wilson and head of personnel for Paribas Capital markets group. He learned about Kapiti, a private company with New Zealand connections and turnover to end 1992 of £24.3m, through spells with banking groups including County Bank, tha merchant banking subsidiary of National Westminster. His experiences abroad qualify him to help Kapiti expand its international operations.

Educated at the Royal Grammar School, High Wycombe, Forrester spent the early part of his life in Whitehall, eventually moving into the establishment arm of the Civil Service and taking responsibility for personnel budgeting, training and pay negotiation.

He joined the banking world in time to enjoy the City's Big Bang and its consequences and in 1992 took on a contract as head of administration for the Turks & Caicos Islands, responsible for 1,200 civil servants and 13,000 islanders.

He claims not to miss Grand Turk, six square miles of the West Indies that was his home for two years. The nearest he gets to it these days is Kapiti's Slough headquarters, incongruously named Key West.

Ben Maddocks, 45, who joined Kapiti at the same time as marketing director, also has Caribbean connections. For a spell he worked in Bermuda with American International, the bellwether among property and casualty insurers.

His background, however, is not in insurance but in chemistry and physiology. Educated at the University of Aston in Birmingham, he explains that an understanding of physiological processes is an excellent preparation for business process re-engineering and other transformations undergone by corporate bodies as well as living ones.

He learned financial management with Burroughs Corporation and the Legal & General group where be reckons to have been one of tha first in the insurance industry to introduce standard costing techniques – commonplace these days, hot revolutionary in the 1970s.

After American International in Bermuda he worked with managemant consultants Touche Ross in Toronto and Price Waterhouse in the UK.

His most recent role has been as managing director of Camsco in London, a subsidiary of Creditanstalt-Bankverein, the Austrian banking group. Camsco provides organisational and information technology services to the bank's international network.

A disagreement over strategy with the management of Creditanstalt led to him joining Kapiti in February this year.

The company was a pioneer of integrated banking packages in the 1970s and has continued to innovate in financial packages, including programs that operate in Japanese, Arabic and Cyrillic languages. Maddocks sees his role as interpreting the demand of the marketplace and ensuring they are met.

■ David Osborne, formerly director travel services at AT&T Istel, has been appointed head of marketing at GALILEO UK.

■ Brian Boswell, former group finance director of Wheway, has been appointed finance director of MR-DATA MANAGEMENT CROUP.

■ Vic Morris, founder of Software Generation, has been appointed md of POWERSOFT'S European operations; he moves from LBMS.

■ Wayne Morrison has been appointed UK md of GE Information Services.

■ Steve Newbould, formerly director of marketing at Imperial College, has been appointed marketing director of MERCURY PAGING.

■ Chris Cooper has been promoted to md of IDHAMMAR MANAGEMENT SYSTEMS.

CONTRACTS & TENDERS

[redacted]

Gathering of the clan: Oscar winners Tom Hanks, Anna Paquin, Holly Hunter and Tommy Lee Jones, left; Steven Spielberg, right

Cinema/**Nigel Andrews**

At home with the Hollywood family

A lightbulb thought occurred to me on Tuesday morning, as I consumed two pieces of toast and a cup of tea in the company of Steven Spielberg, Tom Hanks and Holly Hunter. Europe first watches the Oscars over breakfast and surely sees this spree in truer light than any other population on the planet. It is not about art or entertainment or even industry. It is about family: with implications for western civilisation that we shall come to shortly.

The world'a most high-visibility exercise in self-congratulation has all the innocence, though lit to blinding wattage, of a family gathered round the morning cornflakes tearing open Junior's school report, Daddy's letter of promotion and Mummy's pregnancy-test result. And this family – the Hollywoods At Home – has another common family trait: keep-out exclusiveness trying to turn itself into come-in warmth.

I think I twigged to this during Master Spialberg'a acceptance speech. Holding high his first ever statuette, the bearded wonderperson said something about "the six million people who can't be watching this tonight." For one nanosecond, it was as if Tinseltown really thought that the world – not just all its countries, but all its lost generations – might be curable by this annual rint of messianic togetherness: in which each year, around Resurrection-time on the Christian calendar, a whole lot of industry parents, children, uncles, aunts and cousins troop along, each bearing his or her emotive constituency of thanks and good causes. Can *you* leave your handkerchief untouched at so much good will?

Master Hanks, winning for *Philadelphia* and possibly auditioning for *Philadelphia 2*, spoke up tearfully for Aids victims. Master Spielberg said it for the absent friends of Jawish history. Auntie Holly (Hunter) loquaciously represented the world's mutes, winning Best Actress for her wordless role in *The Piano*. And Grandpa Paul Newman was presented with a lifetime good causes award, gaining a special statuette for giving away $80 million dollars' revenue from salad dressing.

Each member of the Hollywood clan had prepared his or her party-piece for the underprivileged, as the atmosphere got more Dickensian by the minute. In this orgy of PC and goodwill, there were only two persons slightly letting the side down. One was hostess Whoopi Goldberg, who aimed a mocking quip at her own multiple-threat ethnicity (black, Jewish ...) plus humanitarian record (see *Sister Act 2* below). The other was Uncle Tommy Lee Jones, who in protesting that he was not really bald might have been seen as reinforcing prejudice against the trichologically challenged.

Never mind: the evening's mixture of good causes and family feeling was clinched by Miss Anna Paquin (aged 11), winning Best Supporting Actress for *The Piano*. I confess I stopped right in mid-toast-chew for this one. The diminutive thespian behaved just like your own little Laura/Megan/Tracy going up to get her acting prize on Founder's Day. She advanced to the platform, opened her mouth and no words came out. She stood there making gasping motions like a distressed guppy; though on a second viewing it started to look a littla rehearsed. Perhaps she had been deputed to deliver the "mute" speech that Auntie Holly, who as Best Actress had to say aomething and say it good, could not get away with.

It is sometimes said that the Oscars are decrepit, démodé, de-everything else you can think of. But *I* suspect that they are on the up and up: that given time they will take over the western world's Ideal Family franchise, now that our own dear dynasty has been shot down by the tabloids and its own self-destruct instincts.

With Hollywood fast becoming the only dependable royalty, Oscar night itself is becoming everything the Queen's Christmas speech used to be or to try to be. It gives us a glimpse of the world as a giant mutual-help family. Woe betide, if it has not already betid, anyone who brings cynicism to the gathering. And lest you think *I* am fully armed with irony, let me say that this viewer too shed a tear during Hanks's speech. There are times when the line between real goodness and showbiz goodness becomes terrifyingly hlurred and we all get sucked in.

The game of Hollywood Happy Families, incorporating Hollywood One-Worldism, does not stop at Oscar night. Sequelitis is a variation on the same phenomenon. Look, if you can bear to, at *Sister Act 2* and *Beethoven's 2nd*. In the first Miss Goldberg is back in nun's habit, pouring good deeds over a closure-threatened San Francisco high school. Can she teach the brats to warble rock spirituals and win the all-state singing competition? That way the school will stay open, cansing Mother Superior Maggie Smith to weep into her wimple and wicked school administrator James Coburn to gnash $5000 worth of Beverly Hills bridgework.

OSCARS '94
SISTER ACT 2 (PG) **Bill Duke**
BEETHOVEN'S 2nd (U) **Rod Daniel**
DAENS (15) **Stijn Coninx**

The film (awful) is upstaged by the publicity hand-out, even to the area of good deeds. Miss Goldberg in her biog is cited for her "tireless humanitarian efforts on behalf of children, the homeless, human rights, substance abuse and the battle against Aids." Goodness. And on top of that she has twice been required to act out, in the *Sister Act* films, a very parable of Oscar night itself. For Las Vegas showgirl undergoing short-lease metamorphosis as convent sister, read the population of Tinseltown turning each Easter into a pan-global spiritual support system.

That sequels themselves are manifestations of a deep-rooted family instinct – they used, yon recall, to be called "Son Of Such-and-Such" – is basic psycho-cultural diagnosis. What is more reassuring to Movieland's patriarchs and matriarchs than the patter of tiny spin-offs around the house? *Beethoven's 2nd* gives us not just an addition to this movie family but a two-family storyline within itself. One is human: Charles Grodin and his two-up-two-down nuclear foursome living in springcleaned suburbia. The other is canine: Beethoven the St Bernard and his new love and their litter of ooh-aah pups.

It is, be warned, frightful stuff. The press show audience was notably silent, some parts of it being in deep shock, others in deep sleep. This is a "comedy" with no laughs and ladlefuls of sentimentality. But in Familyland you must take the syrupy-smooth with the exhilaratingly rough. When togetherness does not come out fighting it tends just to sit there, wearing a gooey smile in the sun and getting stickier and stickier.

We all deserve one non-Hollywood experience this week, but we wish it had not been *Daens*. As Belgian films about the late-19th century Flemish trade union movement go, this one portentously dawdles. One "Up the workers" set-piece follows another, with the street fights scored for inspirational music (out of *Hoffa* by *FIST*) being marginally preferable to the love-across-the-barricades romance between Marxist boy and Christian Democrat girl (out of *Elvira Madigan* by *The Ballad Of Joe Hill*). Stijn Coninx directs. Jan Declair steals a few scenes as the eponymous agitator-priest, resembling Gene Wilder ventriloquised by Ian Paisley.

Theatre/**Alastair Macaulay**

All tap and no go in 'Hot Shoe Shuffle'

About 95 per cent of the dancing in *Hot Shoe Shuffle* ("The New Tap Musical") is slick, athletic, high-voltage, strenuous, and utterly devoid of the spontaneity that true tap is all about. As for the singing, the absence of spontaneity is nearer 100 per cent. All-singing, all-dancing, *Hot Shoe Shuffle* comes to us from Australia, where it was a wow. Judging by the reaction of the first-night audience here (Australians thick on the ground), it may wow London. It is not, however, good.

The beauties of tap lie in the plenitude of rhythm, in the surprise of syncopation, in the elegant phrasing with which dense clusters of steps are threaded into a larger fluency, in the contrast between those busy feet and the slower changes of shape shown by the calmly informal upper body, and in the casual jazz brilliance whereby everything seems to be improvised. The tap of *Hot Shoe Shuffle* is tense, forceful, metrically hland.

Only one dance ("Little Brown Jug" danced hy a male foursome) has any real choreographic interest. Elsewhere thera are one or two good steps (notably a kind of thundering stag sissonne in Slap's solo), a too-brief solo for Slide (Adam Garcia, the only relaxed dancer onstage), a clever use of six men crossing the stage like a chain (dropping or collecting a soloist as they pass) – and acres of bashing, hard-and-fast, highly amplified formula.

Though *Hot Shoe Shuffle* may seem to be about tap dance, it isn't. Written hy Larry Buttrose and Kathryn Riding, set in New York, it's about showbiz, standard American showbiz, where backstage problems abound but are ironed out as The Show Goes On in a golden haze of dreams coming true. I can be as susceptible as the next man to this hackneyed story, as long as it reveals some real human freshness. But *Hot Shoe Shuffle* milks every cliché with a complete lack of irony. Can the Seven Brothers Tap and their newfound full-grown sister April get this show on the road? "Wa've only got four weeks!" "Talent's cheap – anyone can have talent. Slick is Sweat."

Tha brothers are mean to April, who is taller than them, and can't tap like them. She leaves. Then they realise that without her they can't win the millions of dollars bequeathed to them by their father in his will. So they bring her back – she was just hanging around on the nearest park bench – and they train her. *Then* they find there is no money to inherit, and that the creep who has been rehearsing them so unpleasantly is actually their father. Never mind; as April says, "We've got something much more valuable than money. We're a *family*." And the Show Goes On.

All of which could be funny and even touching if it were performed as if all this were happening for the first time; or as if they found it amusing that they were stuck in a story that has happened so often before. But no. Very energetically, these Australians conform to the most insincere and least witty norm of showbiz style. Which is also the way they sing and dance.

As April, Rhonda Burchmore (5ft 11ins without her heels) has the main singing role. She puts over "Long Ago and Far Away", "How Lucky Can You Get", "Birth of the Blues" with brassy panache, no musical individuality, and a boxy, worn voice that makes her sound 20 years older than the 30-something I presume she is. The evening's most grotesque feature is the way her high-cut leotard reveals a waxed bikini line *and* the folds of what are either ber underwear or her tights. As for ber facial mannerisms . . .

The forced nature of the whole farrago seems to emanate from David Atkins, who not only plays Spring (the chief brother) but also has directed and (with Dein Perry) co-choreographed the whole show. His brow is alarmingly tense; sweat gleams profusely on his face; and be employs a wretched smirk amid comic dialogue to indicate he is trying not to "corpse". As their father, Jack Webster gives the most bogus performance of all, determinedly stale.

Need I go on with this? I love tap, I love almost every song used in this show, and I loathed the way this show used them.

At the Queen's Theatre.

Music

Odd Soviet bedfellows

The Russians keep coming, from all musical directions. Since the Soviet Union was wound up, not only have ex-Soviet performers flooded the Western market, but ex-Soviet composers too. There is an eager Western conviction that their most original music *must* have been suppressed under Communism. Hence the sedulously democratic attention given nowadays alike to the visionary Sofia Gobaidulina, to knotty Edison Denisov, the maverick Alfred Schnittke and the pious minimalist Arvo Pärt – and to anything by Prokofiev or Shostakovich that went down badly with the old regime.

On Tuesday at the Barbican, the ex-Soviet Alexander Lazarev took the BBC Symphony through an excellent programme of just such oddly-matched bedfellows. First we heard *Wingless*, a recent work by Giya Kancheli, a 59-year-old Georgian who like the Estonian Pärt remembers ancient chant, but subsumes it into an unhurried meditative flow, barely varied, more like recent Gorecki or John Tavener. In *Wingless*, chorale-fragments alternate steadily with fluttery motifs like shepberd's pipes or birdcalls. It went on for some 25 minutes; the mind wandered, drowsily and pleasantly.

Then Dmitri Alexeev came on to deliver Nikolai Medtner's Piano Concerto no. 1 (1918) with all the tingling energy needed to keep its 19th-century virtuoso writing airborne, the intimate feeling for its introspective passages, and the brains to set its tough, conservative structure in clean relief. A welcome rediscovery; but all that was anti-Soviet about Medtner – a refined neo-Brahmsian – was his reverence for Western musical models, and his early departure from Russia to Paris and thence to Golders Green. Russian pianists have been cultivating his music for many years now.

The 19-year-old Shostakovich's astonishing First Symphony (1925), which Lazarev expounded in swift, clean lines that left ample room for the first-desk BBC players to bring their solos to poignant life, was actually a "Soviet" triumph long before the clampdown by Stalin and Khrennikov. Though we hear tragic tensions in it, they cannot have had much to do with the composer's later, well-founded political anxieties.

As for Prokofiev's *Eugene Onegin* scene-music (1936, for a dramatisation of Pushkin's verse-novel which was officially thwarted), Edward Downes's devoted restoration and revival on Monday with the Docklands Sinfonietta and a team of actors revealed it as moderately interesting, but broken-backed. The composer would soon recycle the best parts to more developed effect, in *Cinderella, War and Peace* and his Seventh Symphony. Here we had costumed players reading bits of Onegin, Lensky and Tatyana over the orchestra, very well – but no Olga, nor any dancers at the two grand balls for which Prokofiev designed several of his 44 numbers.

Though this "semi-staged" version was less than a dramatisation, it occupied a long 2 hours and 40 minutes. The director Timothy West also took pawky relish in the lengthy narration, in Sir Charles Johnston's rhymed couplets. Rather soon the strenuous hunt for rhymes grew irritating, like the suppression of articles for scansion's sake – "avert his chest from pistol's click": shades of "Pyramus and Thisbe"! I think Prokofiev's robustly plain *Onegin* score wants full-dress staging with a brighter text, or else to be left alone.

David Murray

INTERNATIONAL

ARTS GUIDE

■ ATHENS

Megaron Tonight, tomorrow, Sat: Horst Stein conducts Bamberg Symphony Orchestra in Claus Helmut Drese'a staging of Ariadne auf Naxos, with Elizabeth Connell and Rosalind Plowright alternating in the title role and Agnes Baltsa singing tha Composer in tomorrow's performance. Mon, Tues: Stein conducts symphonic works by Hindemith and Brahms (01-728 2333/01-722 5511)

■ BARCELONA

Palau de la Musica Sat evening, Sun morning: Orquestra da Valencia in Shostakovich's Seventh Symphony. Sun evening: Orfeo Catala Orquestra de Cambra in sacred works by Schubert. Mon: Tadeusz Strugala conducts Virtuosi di Praga in works by Mozart, Schubert and Haydn. Next Wed: Jessye Norman (268 1000)

■ BOLOGNA

Teatro Communale Tonight, tomorrow: Christian Thielemann conducts orchestral works by Richard Strauss and Schoenberg. Sun afternoon, next Tues: The Makropoulos Case, sung in Italian with Raina Kabaivanska as Emilia Marty. Mon: Daedalus Ensemble in music by Monteverdi and others. April 11: Yevgeny Kissin (051-529999)

■ GENOA

Teatro Carlo Felice Tonight, Sat and Sun afternoons, next Wed: Tosca with alternating casts including Ghena Dimitrova, Anna Tomowa-Sintow and Neil Shicoff (010-589329)

■ LONDON

THEATRE

● A Month in the Country: Helen Mirren and John Hurt star in Turgenev's portrait of languid romantic evasions in a world of flux. Bill Bryden directs, Hayden Griffin designs. Now in previews, opens on Tues (Albery 071-867 1115)

● Johnny on a Spot: Richard Eyre directs a new production of Charles MacArthur's 1942 play - part political satire, part wise-cracking American comedy. Previews begin tomorrow in the Olivier, Press night next Thurs (National 071-928 2252)

● Travesties: Anthony Sher stars in a West End transfer of tha RSC production of Tom Stoppard'a award-winning comedy, directed by Adrian Noble. Opens tonight (Savoy 071-836 8888)

● The Birthday Party: Harold Pinter's 1958 classic, in which comedy gives way to a sense of inescapable menace, is directed by Sam Mendes in the Lyttelton. Cast includes Emma Amos, Dora Bryan and Anton Lesser (National 071-928 2252)

● La Gran Sultana: Compania Nacional da Teatro Clasico, Spain's leading theatre company, presents Cervantes' lively comedy set in 16th century Constantinopla. Tonight, tomorrow and Sat only (Sadler'a Wells 071-278 8916)

OPERA/DANCE

Covent Garden The Royal Opera has a revival of Un ballo in maschera with cast including Nina Rautio, Dennis O'Neill and Giorgio Zancanaro (till April 13), and a final performance tomorrow of Trevor Nunn'a new production of Katya Kabanova conducted by Haitink. The Royal Ballet has a mixed bill of choreographies by Ashton and Bintley on Sat. Birmingham Royal Ballet opens a two-week season on Mon with the premiere of David Bintley'a new production of Delibes' Sylvia (071-240 1066)

Coliseum ENO has Falstaff with Arwel Huw Morgan in the title rola (till March 29) and Philip Prowse's staging of Bizet's Pearl Fishers (till April 28). A new production of Yevgeny Onegin, staged by Julia Hollander and conducted by Alexander Pollanichko, opens next Thurs (071-836 3161)

Queen Elizabeth Hall Tonight, tomorrow: Shobana Jeyasingh Dance Company, drawing on classical South Indian dance style and new music (071-928 8800)

CONCERTS

South Bank Centre Tonight: Zubin Mehta conducts Vienna Philharmonic Orchestra in works by Wagner, Schubert and Richard Strauss. Tomorrow: Simon Rattle conducts CBSO and Chorus in Stravinsky'a Persephona and Walton's Belshazzar'a Feast. Sat: Carlo Maria Giulini conducts Beethoven's Ninth Symphony. Mon: Vernon Handley conducts RPO in Elgar and Vaughan Williams. Wed: Nicholas McGegan conducts Academy of St Martin in the Fields. Wed (Purcell Room): Leland Chen violin recital (071-928 8800)

Barbican Tonight and Sun: Colin Davis conducts LSO in two programmes with piano soloist Radu Lupu. Tues: Alexander Lazarev conducts BBCSO in UK premiere of Karetnikov'a Fourth Symphony, plus works by Prokofiev and Shostakovich, with violin soloist Dmitri Sitkovetsky. Wed: Colin Davis conducts National Youth Orchestra in Elgar and Berlioz (071-638 8891)

■ MADRID

Teatro Lirico La Zarzuela Tonight, Sun, Tues: Giuliano Carella conducts Hugo de Ana'a production of Lucia di Lammermoor, with cast headed by Mariella Devia, Ramon Vargas and Michele Pertusi (01-429 8225)

Auditorio Nacional de Musica Tonight: Spanish National Chorus sings 19th century Spanish polyphonic choral music. Tomorrow, Sat, Sun: Aldo Ceccato conducts Spanish National Orchestra in works by Stravinsky, Strauss and Tchaikovsky. Sat late evening: Wolfgang Sawallisch conducts Vienna Symphony Orchestra in symphonies by Haydn and Schumann (01-337 0100)

■ MILAN

Teatro alla Scala Tonight, Sat (with 10 further performances till April 22): Riccardo Muti conducts Stefano Vizioli's new production of Don Pasquale, with alternating casts including Bruno De Simone, Nuccia Focile, Ferruccio Furlanetto and Lucio Gallo. Tomorrow, Sun afternoon: Gabriele Ferro conducts Pier Luigi Pizzi'a production of Rossini's Maometto II, with cast headed by Bruce Ford, Cecilia Gasdia and Samuel Ramey. Mon: Fredarica von Stada song recital. Next Thurs and Fri in Chiesa di San Marco: Muti conducts Haydn'a The Creation (02-7200 3744)

■ NAPLES

Teatro di Corte Tonight, tomorrow, Sat (also April 7, 8, 10): Salvatore Accardo conducts Filippo Crivelli's production of Rossini'a L'occasione fa il ladro, with alternating casts including Luciana Serra and Claudio Desderi (081-797 2331)

■ PRAGUE

● A new production of Hans Krasa'a 1933 opera Verlobung im Traum (Uncle's Dream) opens at Prague State Opera on Sun, conducted by Israel Yinon and staged by Karel Drgac (02-265353)

● Vaclav Neumann conducts Czech Philharmonic Orchestra tonight in Dvorak Hall in works by Vorisek, Novak and Dvorak, with baritone soloist Ivan Kusnjer. Members of the orchestra play chamber music by Mozart, Beethoven and Brahma on Sun morning. Magdalena Hajossyova gives a song recital next Wed (02-288 0111)

● Martin Turnovsky conducts Prague Symphony Orchestra tomorrow in Smetana Hall in works by Humlk, Shostakovich and Dabussy, with cello soloist Frans Helmerson. Ivan Moravec gives a piano recital in Dvorak Hall on Sat. Oratorio Society of New York gives performances of Handel'a Messiah next Tues and Wed at Church of Simon and Juda (02-232 2501)

■ ROME

Teatro Olimpico Tonight: Rudolf Buchbinder piano recital (06-320 1752)

Universita La Sapienza Sat: Antony Pay and friends play octeta by Mendelssohn and Schubert (06-361 0051)

Teatro Valle Sun, Mon, Tues: Herbert Blomstedt conducts Orchestra dell'Accademia di Santa Cecilia in Brahms' German Requiam, with Elizabeth Norberg-Schulz and Andreas Schmidt (06-678 0742/ 06-6880 3794)

Teatro dell'Opera Tues: first of five performances of Gian Carlo Menotti's production of Zemlinsky's Der Geburtstag der Infantin. Programma subject to cancellation or change at short notice (06-481 7003)

■ TURIN

Teatro Regio Tonight, Sun afternoon, next Tues and Thurs (also April 5-10): Donato Renzetti conducts Giorgio Gallione's production of Puccini's La Rondina, with alternating casts including Nelly Miriciniu (011-881 5214)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Pragua.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channal: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Time to concede the end of an affair

BOOK REVIEW

John Dickie was, until his retirement from the Daily Mail, the dean of British diplomatic correspondents. An unmistakeable figure, he always wore a fresh carnation in his button hole. Perhaps the Mail did not publish as much of his work as it should have done, but the Foreign Office always read him. He had a knack of hitting (more or less) the right targets on the right day.

So it remains, now that he has turned more to books than journalism. *'Special' No More*, his survey of Anglo-American relations from roughly 1939 to the present day, could scarcely be better timed. Dickie thinks that it is the eod of the affair. Yet such have been the ups and downs in the relationship over the decades that it may be too early to be sure.

Where Dickie scores is in throwing in the anecdotal evidence with the researched. He notes in passing that the "iron curtain" was first used in print by Ethel Snowden, the wife of the Labour politician, on arriving in Petrograd in 1920. It is the same with the "special relationship". Few people are certain bow it came into the language. Churchill used the term in a memorandum in 1944, but it was only in his famous speech in Fulton, Missouri, two years later that it became prominent.

Even then, it is worth being clear what Churchill said. He spoke not of a special Anglo-American relationship, but one between "the British Commonwealth and Empire and the US". And there, with hindsight, were the seeds of future troubles.

The special relationship was fostered during the second world war because of the joint desire to defeat Hitler and Japan. It may not have come about quite so soon without the Japanese attack on Pearl Harbour. The British were in many ways an attractive ally. They were more advanced than the Americans in research on atomic weapons; they had an excellent intelligence service; and, as Bismarck had remarked long before, "the most important fact of the

'SPECIAL' NO MORE
Anglo-American relations: rhetoric and reality
By John Dickie
Weidenfeld & Nicolson
299 pages. £25

modern world is that Britain and America speak the same language".

Yet it should have heen apparent from the start that the relationship was unequal and that, after the war, some interests would diverge. The US, then as now, was as interested in tbe Pacific as in Europe. It was unlikely, given its history, to come to the support of the British Empire, and the Americans had their own ideas on the Middle East.

For a while the personal relationship between Churchill and President Roosevelt flourished. Roosevelt's adviser, Harry Hopkins, even attended British cabinet meetings. But, as Dickie notes, hy 1943 Churchill was beginning to feel a bit cut off from the mainstream of US policy-making. The Americans were not planning quite the same post-war world as the British.

Again partially with hindsight, the British attitude to the American cousins seems to have been remarkably patronising. As the rhyme puts it: "In Washington Lord Halifax once whispered to Lord Keynes, They have all the money bags, but we have all the brains."

Yet in foreign policy terms, or indeed in any other, that was never wholly true. To be sure, there were – and remain – great post-war examples of Anglo-American co-operation: the Berlin airlift for a start. Using some new information, Dickie tells how the two countries combined to overthrow Dr Mossadeq as prime minister of Iran. The British called it Operation Boot because the objective was to boot him out. The Americans refined it to Operation Ajax, but it still worked.

Sometimes, personal relations were crucial. Sir Anthony Eden never liked the American Secretary of State, John Foster Dulles: this was one of the contributory factors to the Suez crisis in 1956. On the other hand, Harold Macmillan as the new prime minister repaired the Anglo-American relationship in double quick time, and became very close to President Kennedy.

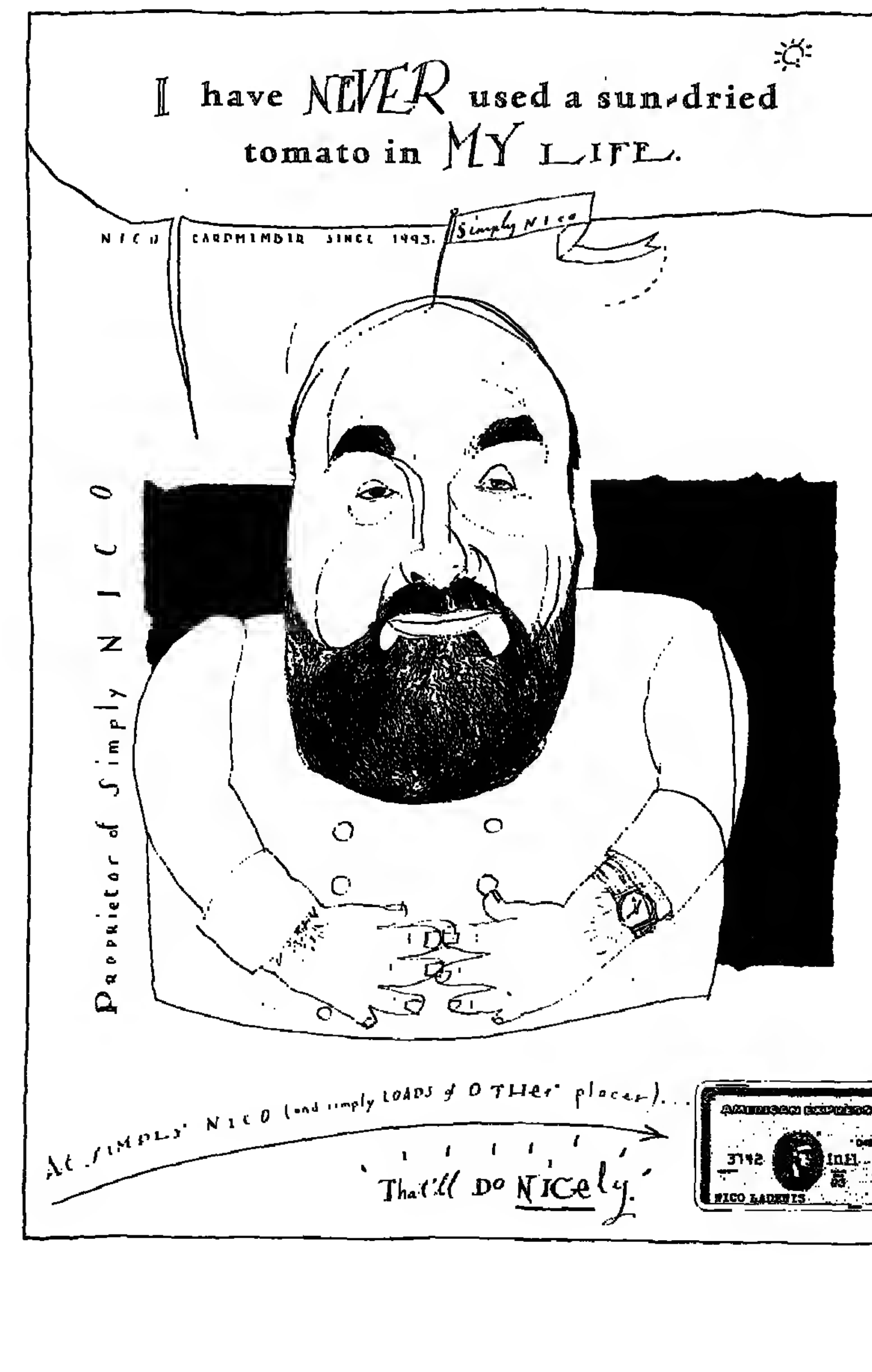
Thus the ups and downs continued, and there were policy divergences as well. Successive British governments refused directly to help the Americans in Vietnam. Lord Home was reviled in Washington for allowing the sale of Leyland buses to Cuba and even Lady Thatcher fell out with Ronald Reagan over the American invasion of Grenada – led incidentally by Major-General Norman Schwarzkopf, who subequently made his name in the Gulf war.

The close co-operation between Britain and the US in that latter campaign came about partly by chance. Thatcher happened to be in Aspen, Colorado, with President Bush when the news arrived of Iraq's invasion of Kuwait.

There was a problem in the special relationship, however, that was growing higger with time and should have been realised in London. British policy was more interested in Nato, where it could claim to be a bridge between Europe and the US, than in the development of the European Union. The Americans always knew this, bnt were usually too polite to say so in public. When Dean Acheson had a shot at it in his "lost an empire, not yet found a role" speech, the British jumped on him, from Harold Macmillan downwards. Yet as the cold war ended, and the European Union continued to expand, there was no need for a bridge. What the Americans want is a Britain firmly in Europe.

Dickie writes that John Major became prime minister to deal with all that: "His first decision of cardinal importance was to commit himself to the EC in a way that Thatcher had refused to contemplate." Given the events of the past few days, that looks like an uncharacteristically bad judgment from such a journalist. Dickie is a better reporter than he is leader-writer. Most of his book is a delight. Academics will he infuriated that, like many good journalists, he declines to give sources, hut they look pretty first-hand to me.

Malcolm Rutherford



ECONOMIC VIEWPOINT

Nimbyism: the growing cost

By Samuel Brittan

One might suppose that monetarism had been studied to the point where it was difficult to add anything new. Yet at the History of Economics Society Conference in London yesterday, something of a fresh angle emerged.

This may just have been in the eye of the beholder; but the fresh approach did seem to me to throw light on a variety of matters, inclnding quite homely questions such as the relation of the supply of huilding land to inflation and economic recovery.

The place to start is the emerging distinction between the modern monetarism used in forecasts and monetary targets and the historical Quantity Theory of Money as developed by John Locke, David Hume, the early Milton Friedman and others.

In what follows I am almost certainly taking the distinction further than the speakers intended, bnt it is still worth drawing out implications.

Tha Quantity Theory of Money relates inflation to the amount of money in circulation in a loose and long-term way. The original Quantity Theorists allowed plenty of room for time lags, changes in velocity and transitory effects on output, and were not dogmatic on how quickly or by how much a given percentage increase in money would raise prices. They also allowed for institutional changes and shocks from outside the monetary system. All that the Quantity Theory needs is the general proposition that money matters and that monetary changes can canse price changes and not just reflect them. The policy implications will depend on place and time.

Moreover, until the breakdown of Bretton Woods in the early 1970s no country attempted to target the money supply directly. The latter was regulated automatically by the gold standard and by the structure of bank deposits and credits erected on the gold base. To the extent that monetary authorities, like the US Fed, attempted an independent national policy, it was geared to interest rates.

Modern monetarism, by contrast, insists on a stable demand for money related to a few variables such as prices, real incomes and interest rates. Rightly or wrongly, it has shared in the discredit into which would-be scientific economics has fallen. In any case, its evaluation is reserved for econometric experts.

The immediate point of drawing the distinction is that something like the very tight British system for limiting land for huilding development would not be regarded as relevant to inflation by many modern monetarists. But there would be a place for it in a broader Quantity Theory.

This theory is normally stated in terms of the identity MV equals PT. The quantity of money, times its velocity of circulation, equals the average price per transaction, times the total number of transactions. Some adjustments are required to apply the identity to national income statistics, but it will do for exposition.

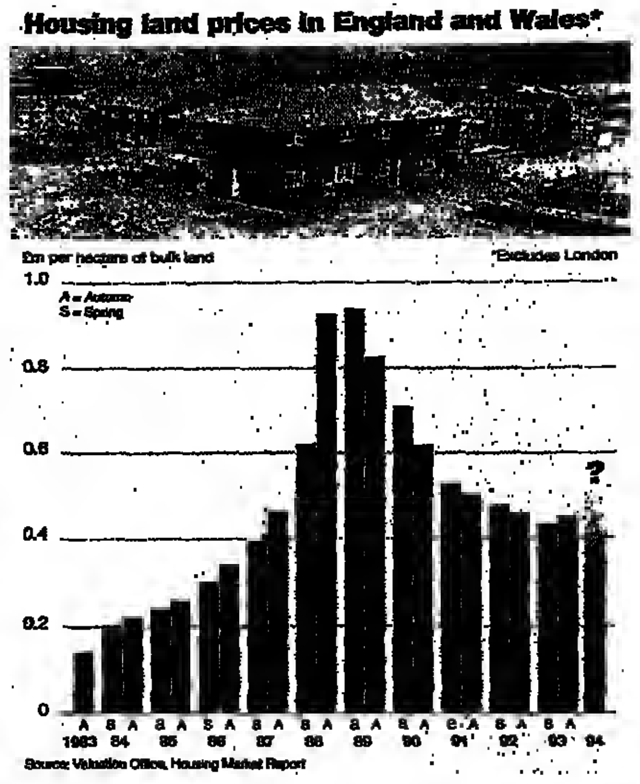
Too much of the modern discussion has centred on the definition of M or stability of V. A shrewd central banker like Alan Greenspan, US Fed chairman, will allow for changes in the financial system and try to stabilise the total flow of money spending, MV, without necessarily worrying too much about the components.

More interesting is the breakdown of PT, the price level times the level of economic activity. The pioneering economists of the 18th and 19th centuries would have known well enough that an interruption to production and trade, such as the Napoleonic wars or a bad harvest, would reduce T and thus raise the price level.

These reflections came to my mind in relation to the complaint in Tuesday's Financial Times by Mr David Wilson, chairman of the house builders Wilson Bowden, that land prices for high quality housing sites had risen by an average of 25 per cent in the past 12 months and by up to 50 per cent in the south-east.

Why has this happened so alarmingly early in the recovery? An unreflective reaction might be that monetary policy is too loose and stoking up demand. A more reflective Quantity Theorist would, however, wonder whether something had happened on the side of T to restrict supply and therefore stoke up inflation from the other end.

Housing land prices in England and Wales*



Source: Valuation Office, Housing Market Report

The quick answer is that something has indeed happened. This was a tightening of planning restrictions in the early 1990s, which has reduced the potential supply of building land. Kevin Cammack, of Smith New Court, predicted nearly two years ago that the Town and Country Planning Act of 1990 and another act of 1991 would make it harder to secure planning permission for huilding sites and make appeals almost impossible.

Builders are now convinced that local authority development plans are at the mercy of residents who say "Not in my hackyard" (Nimby) and are supported by the government. This was not noticed before, because of the recession.

Now that activity is rising, however, it is coming up against much tighter zoning restrictions. When rising demand collides with an inelastic supply, it does not take a genius to see that the result must be higher prices.

To spell out the causation: recovering demand leads to rising house prices, which in turn boosts the price of land. But as land with planning permission is a speculative asset, owners and investors do not wait for the chain of events but start marking up prices when recovery is in the air. The effect of any given rise in the demand for homes on both house prices and land values will depend on how responsive the supply of land is to huilding demand.

A purist might object that house prices are only one element in the general price level. But they are an important one. And they usually move in the same direction as factory and office rents. An attempt to force other prices down to offset rising property values could be very painful. A comparison might be with what would have happened if governments had attempted to force other prices down to offset the oil price explosions of 1973 and 1979. Moreover high and rising house prices are believed to have a multiplier effect on inflation through the perception of increased wealth they bring to their owners.

The shadow now on economic recovery is still no larger than a man's hand. But that is the time to watch it. Good house prices indices are difficult to find. The Department of the Environment and the Inland Revenue Valuation Office indices look very different. But the general trend is clear enough. Urban land prices were rising even in the recession of the early 1980s and quintupled between 1983 and 1989. Since then they have fallen by about a balf, but are now on the rise again. A small recovery shown in the Valuation Office index between the spring and autumn of 1993 is widely regarded in the construction industry as too low.

At present prices, land accounts for some 20 to 30 per cent of the price of a new house and up to 50 per cent in the most favoured parts of the south-east. Consumer expenditure related to housing is about 10 per cent of the total shown in the National Income Blue Book. If house prices were to donble over a few years, the effect on people's perception of inflation would be severe, even though the retail prices index gives too much weight to interest rates and not nearly enough to house prices.

If the government sticks to its anti-inflation objectives, the effect will be felt on economic activity instead. Alas, if the Bank of England puts on the brakes because of inflationary signals from the property market, this will inhibit growth and recovery much earlier on than if there had been a plentiful supply of land.

Indeed, the effect on inflation and on official interest rate policies are in the last resort symptoms. The underlying process is that obstacles are being put in the way of husiness development and of places for workers to live. There is almost no link between the "green" policies of the Department of the Environment and the growth and price stability objectives of the Treasury and (one hopes) the Department of Trade and Industry. Even if folly cannot be stopped, it should at least be exposed.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Global warming line far too simplistic

From Mr Andrew Warren.

Sir, The argument that "if saving energy made any sense everyone would already be doing so to the optimum level" had, I fondly imagined, been discredited some 20 years ago. So it was a little tiresome to see this simplistic line pedalled by Messrs Roger Bate and Julian Morris in their pamphlet, *Global warming: apocalypse or hot air?*. It was rather more worrying that Bronwen Maddox's review of it, "Greenhouse faces stoning" (March 18), should apparently accept much of this at face value.

For the record, here are some of the obstacles which have long been acknowledged to distort the marketplace for energy efficiency investments: lack of information; lack of finance; lack of knowhow and technical skills; separation of responsibilities for energy supply expenditure and conservation actions; landlord/tenant disincentives; energy tariffs which encourage greater energy usage; and lack of confidence in novel technology.

This is the list of barriers which appears in the House of Commons energy committee's report, "Energy policy implications of the greenhouse effect", puhlished in 1989. It might have been helpful if at any rate some of these had been addressed in the pamphlet (or raised in the article) before such a sweepingly uninformed generalisation was made.

Andrew Warren,
director,
Association for the Conservation of Energy,
9 Sherlock Mews,
London W1M 3RH

Alternative view of pensions 'fantasy'

From Mr Eric Lambert.

Sir, Barry Riley's view ("Break-up threat to pension fund fantasy league", March 16) that UK pension funds are moving away from a "fantasy league" is his interpretation of surveys like ours. Others may interpret differently.

Balanced managers hava done the UK pensions industry, the sponsoring companies and members a great service compared with those overseas. While a number may "tweak consensus strategy", this is hardly surprising when this consensus is their target. Many others seeking higher targets are likely to employ managers who display distinct preferences and styles – they cannot slavishly follow the consensus when they are engaged in compiling it. Twenty years of consensus results have produced annualised returns of 15.3 per cent a year when earnings growth has been 10.1 per cent.

Universes reflect the reality of pension funds, maturity et al. Indeed the WM All Funds Universe is currently split into, broadly, three equal parts; funds with positive net contribution flow ignoring investment income, positive cash flow only when including investment income, and negative cash flow despite investment income. The WM 50 Universe of very large funds represents an even more mature peer group. If the industry profile has changed over time, the aggregate of the new environment is just as meaningful as it was of the old.

Eric Lambert,
The WM Company,
World Markets House,
Crewe Toll, Edinburgh

Transport problem must be tackled head on

From Mr S J Robinson.

Sir, The policy guidance on transport published last week gives the impression that the government is planning the environment by remote control ("Gummer aims to reduce car use", March 16). As one of the key points of this new policy is to promote alternatives to the private car, it is perplexing to try and understand how this might be achieved through a planning and devalopment strategy. Why not tackle the issue head on?

It is even more perplexing when seen against the government's indecision over CrossRail – surely a perfect example of an alternative to the private car in an already congested London?

It has been hinted that the downfall of CrossRail may be due in no small part to Michael Portillo, the chief secretary to the Treasury, who has been a long-standing objector to the scheme.

A sustainable environment requires the government to have the inclination and the ability to provide real alternatives for the public. As it is, the government's lack of cohesive policy between its various departments on this issue can only cause confusion, resulting in no strategy whatsoever.

This vacuum creates the worst possible context for Mr Portillo and transport secretary, John MacGregor, in their efforts to attract private sector investment in the transport sector.

S J Robinson,
head of planning,
Hillier Parker,
77 Grosvenor Street,
London W1A 2BT

Better to look at detailed evidence on Citizen's Charter progress

From William Waldegrave.

Sir, I was surprised to see the letter from Elizabeth Symons (March 21) about the government's public sector reform policy. She seems to forget that the whole Competing for Quality programme, of which contracting out and market testing are elements, is about three clear aims: getting government to concentrate on the essentials; introducing more competition and choice into the provision of services; and raising standards and cutting costs.

The Citizen's Charter second report published last week shows that we have scored important gains in all of these areas. The report shows we have made savings through market testing and contracting out of £135m, and there is a mass of information to show how individual departments contributed to this total. If Ms Symons is puzzled by what we mean by savings, it is really quite simple: it is the difference between what we were paying for a whole range of government activity before market testing and contracting out, and what we are paying now. If Ms Symons can think of a better way to do the arithmetic, I should love to know.

There is a suggestion that we do not know the costs of the policy. One look at the charter second report will show that we have set out the costs, again in detail, breaking them down by department and also by consultancy and set-up costs and by central market testing support costs. This clearly shows an overall annual cost of £20m. Indeed, on the wider issue of consultancy work in government, we had already decided to conduct our own review long before Ms Symons made this an issue, and Sir Peter Levene is running a multi-departmental efficiency scrutiny of this whole topic. This is hardly the approach of a government trying to conceal the information.

I acknowledged that the glass is filling but is not topped up yet. Even now, however, tha savings we have mada have repaid the cost of running the programme more than five-fold, and we will make these savings now every year, while the start-up costs of the policy are mostly behind us. This looks like a convincing balance sheet to me, and certainly represents value for money.

If Ms Symons doesn't want to take my word for it, I suggest that she asks departments whether they think the policy is giving them benefits. Rather than trying to score points from answers given by departments before the charter report published the information, it would be better to look at the detailed evidence that we have now released, which shows that the policy is well on course.

William Waldegrave,
chancellor of the Duchy of Lancaster, minister of public service and science,
Cabinet Office,
70 Whitehall,
London SW1A 2AS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Thursday March 24 1994

Monetarily ad hoc

Since the US Federal Reserve first raised short-term interest rates by a quarter of a point early in February, analysts have struggled to make sense of the shell-shocked behaviour of world bond markets. Yet the Fed's decision on Monday to signal a further quarter-point increase, together with the subsequent marginal reduction in the Bundesbank's repurchase rate, are arguably no easier to rationalise than the related market movements. In botb the US and Germany ad hoc gradualism appears to have taken the place of a more orthodox framework for policy.

The declared intention of the Fed's Mr Alan Greenspan has been to return monetary policy to a neutral stance after the period in which low short-term interest rates were needed to help recapitalise the banking system. More than three years into an increasingly robust recovery, short-term rates of 3¼ per cent look more like laxity than neutrality.

Nor is it clear why small incremental increases are the appropriate way to contain latent inflationary pressure in an economy where the underlying rate of growth in demand may be running at 3-4 per cent. If Mr Greenspan believes that the pressure is real, it would make more sense – and belp atabilise the bond markets – to get the full adjustment out of the way.

Similar questions could be raised about the Bundesbank's salami-slicing tactics. The lags in monetary policy are long: it can take up to two years for a given change in short-term rates to have its full impact on real output and inflation. It follows that monetary policy cannot sensibly be fine-tuned from week to week in response to subtle and often contradictory clues as to the state of the domestic economy. As with the Fed, the sbsolute level of interest rates appears to be behind events, although the bias in this case is on the side of tightness.

The Bundesbank could, in mitigation, plead that a strong element of discretion is essential wben the money supply figures are overshcoting wildly in an economy where recovery is perceptible, but only just. Even so, small incremental rate reductions have failed to prevent the sell-off in the bond markets that has always worried the Bundesbank in view of the funding strains from unification. Perhaps gradualist cuts have the merit of reconciling the wider public to the short-run costs of meeting a historically demanding inflation target of less than 2 per cent. Yet the fact remains that the Bundesbank is in a box; and it is far from clear that the alternative policy to gradual cuts would be any more credible.

Comparing the activity of the monetary authorities with the behaviour of US Treasury bonds suggests that the finesse is all on the side of the markets. US bond yields started to rise last October. That looks a more timely – though admittedly politically unrestrained – pre-emptive strike than the Fed's. For the Bundesbank, the dilemma is more complicated. But a policy of frequent, modest cuts remains an unsatisfactory answer.

Russian gamble

Micbel Camdessus, director-general of the International Monetary Fund, has decided to gamble on Victor Chernomyrdin, Russia's prime minister. If the gamble fails, the IMF will have wasted $1.5bn, Mr Camdessus will look foolish and the IMF's reputation will have been damaged. If the gamble is successful, however, Russian reform just might become irreversible. in making ths decision, Mr Camdessus overruled senior members of his staff. He was right to do so. Whether the west is right to risk the reputation of the IMF in this way is another matter.

A country that is promising to keep inflation to 7 per cent a mooth is hardly the obvious target for IMF assistance. Nor is one with a planned budget deficit of about 10 per cent of gross domestic product. But there was little alternative to jumping in at this stage, other than watching the government drown. The IMF had to start by rewarding intentions, partly because assistance could make them more realistic.

If the government does show the determination and capacity to carry out what it has promised, further support should be forthcoming. It will be needed, since the sum now on offer cannot make much difference on its own. A further $4bn of IMF money is on the table, while the Russian government bopes for a $600m rehabilitation deal from the World Bank and, more important, a formal rescheduling of its $80bn debts to western creditora. Even these sums may not be enough to make reform feasible. The old joke made by communist workers was that they pretend to pay us and we pretend to work. Now it might be that ths west pretends to help us and we pretend to reform.

Are they pretending? With Boris Yeltsin apparently *hors de combat*, everything depends on Mr Chernomyrdin, a former apparatchik allegedly converted to the cause of reform. He should st least be able to do what is now required to obtain the $1.5bn. But what will happen thereafter? Will the government stick to the budget? Will it pursue tha equally important structural economic reforms? Mr Chernomyrdin's contacts and status in the old Russian elite presumably give him a better chance of following through than Mr Yegor Gaidar enjoyed. But the prime minister's determination is more suspect, while the obstacles remain mountainous.

The strategy to which the west aeems committed – assistance first, followed by measurable performance and then, perhaps, more assistance – is the only feasible one. It is unfortunate, however, that the IMF has been put in charge of the western effort, since the credibility of the institution has been put at stake. It would have been better to empower a plenipotentiary representative of the Group of Seven leading industrial countries instead. But the die is now cast. The Russians must show the gamble was worth taking; the west must respond positively to serious effort at reform.

Shipbuilding

The progress of international negotiations intended to eliminate sblpbuilding subaidles haa revealed a worrying shift in US thinking. After initiating the present round of talks five years ago, with the aim of removing subsidies, the US now seems bent on increasing the support it gives its own shipbuilding industry.

Last week US negotiators at the Organisation of Economic Co-operation and Development took s tough new line by insisting on the freedom to require that ships financed by its export credit schemes be built in US yards. Other delegations saw this as an sttempt to establish an unacceptable principle, contrary to tha very purpose of ths negotiations.

It is particularly unfortunate tbat this spparent setback has occurred when Japan and South Korea, long regarded as the least flexible in tbis matter, bave finally sbown themselves willing to offer concessions. They have, in fact, declared themselves ready to accept an anti-dumping code for ships, to prevent "injurious pricing."

It is ironic, too, that the US is not a large builder of merchant shipping, though tbs decline in naval orders in the wake of the ending of the cold war may be a partial explanation of its stance.

Meanwbile, it emerged yesterday that the US administration will back the Gibbons Bill, which would penalise ships docking at US ports if they came from countries with "unfair" shipyard subsidies. At the least the new stance seems internally inconsistent, witb the US intending to act against the subsidies of others, while resorting to subsidised export promotion itself.

One unwelcome outcome of the new US approach could be to split opinion within the European Union. Governments in southern Europe, in particular, are under strong pressure to relax subsidy rules. The EU has made good progress with its subsidy reduction regime in recent years. But this could now be reversed.

Sweden's ambassador to the OECD, Mr Staffan Sohlman, chairman of the shipbuilding talks, will attempt to produce a document which he hopes will be acceptable to all participants in the talks. The aim is to reach a final agreement by May.

Reaching such an accord is important. Failure would not only burt those shipyards which have improvsd tbeir efficisncy but would rebound on the shipping sector. Unbridled, subsidised production of new ships adds to the problems of liner conferences already faced with overcapacity on many routes.

There is a danger that pressures for shipbuilding subsidies will not just be maintained, but strengthened. Despite the decline of shipbuilding activity in many western countries, it is important that agreement on subsidies is reached. A failure here would provide encouragement to the pro-subsidy lobby in other important areas, such as steel and aircraft manufacture.

On the brink of a breakdown

Lionel Barber examines the impasse on voting rights that threatens to provoke a crisis over EU enlargement

The European Union loves to live dangerously. Brinkmanship runs in tha blood, bnt there comes a point wben members of the club must decide whether to pull back or precipitate a crisis.

This point is approaching rapidly in the dispute over power-sharing in an expanded Union. Without an agreement in the next week or so, there is a serious risk that Finland, Sweden, Austria and Norway will be unable to meet the agreed date of January 1 1995 for EU entry.

A delay threatens to erode fragile public support for EU membership among the four Nordic and Alpine applicants, where only the Finns show a consistent majority in favour of entry. Postponement of *enlargement would reinforce* the sense of disarray in the Union, rekindling doubts about more ambitious projects such as a common foreign and security policy and a single European currency.

There may be other unpredictable consequences. Britain and Spain's insistence on maintaining their ability to block decisions in an enlarged Union has attracted nationalist cheers at home. But it threatens to break tha informal truce among heads of government over the constitutional future of the Union, a truce which barely held during the painful ratification of the Maastricht treaty.

Until the latest imbroglio over voting rights, the consensus among the Twelve was to hold fire on constitutional issues until 1996, the date set for a review of Maastricht. But the power-sharing dispute has forced member states to confront matters which many hoped to postpone: the relationship between voting power and population in an expanded Union, and the organisation of a Union of 20 or more member states, including the central and east Europeans.

With Hungary's application to join the EU due next month, pressures for faster integration of the east are growing. Germany, which takes over the rotating EU presidency from Greece on July 1, is planning several initiatives, including invitations to the former communist countries to send permanent non-voting delegations to the European Parliament, and invitations to heads of governments to attend European summits. "We have to rethink our whola policy toward eastern Europe," said one senior Commission official.

It seems unlikely that the British and Spanish governments intended to open up the debate about the future shape of the EU. Together they make an odd couple: the pioneer of enlargement (Britain) hitched up with an EU partner which has more reservations than most about its impact (Spain). The next few days, starting with an EU foreign ministers meeting in Greece at the weekend, will determine whether the London-Madrid alliance is s marriage of convenience or principle.

Both Spain and Britain want to preserve voting rules in an expanded Union which prevent two large countries and one small member state being outvoted – 23 votes are at present needed to muster this blocking minority. Britain is pressing for a legally binding protocol which would safeguard this present position. Spain may settle for something less, but it remained firm at Tuesday's meeting of EU foreign ministers.

Voting procedures do not affect matters of sovereignty such as foreign policy or European monetary union, where a national veto by one member state can be exercised; but they do cover decisions oo "second tier" issues such as the environment, health and safety regulations, tobacco advertising, and trade action. For instance, the UK collected enough votes to block the first Commission proposals for reform of the Common Agricultural Policy in the early 1990s; and last year won support from Germany and the Netherlands to block trade reprisals against cheap aluminium imports from Russia.

For the Madrid government, the planned switch to a 27-vote threshold is especially worrisome because it challenges the power of the "olive oil minority". This grouping allows Spain to combine with Italy and Greece to muster 23 votes to block decisions judged to infringe its vital interests, mainly in the area of Mediterranean agriculture.

For the UK, the tale is more tangled. Along with Germany, Britain had ranked as the Nordic applicants' best friend. Yet British support for "widening" Europe has always been based on the assumption that it would not come at the price of further "deepening" of Euro-institutions.

The British calculation is that enlargement can proceed without further erosion of national sovereignty, and its conviction has strengthened in the past two years as ministers have watched public ambivalence about Maastricht grow

on the continent, particularly in France and Germany. The belief that the tide in Europe is running Britain's way is widely beld in Westminster, even thongh it has proved misplaced in the past and is not held in the Foreign Office.

Brussels officials express astonishment that the UK has invested so much capital oo an isane which they describs as peripheral compared with the greater political prize: enlargement of the Union to inclnde wealthy, free-trading Scandinavians wbo will very soon be net contributors to the EU budget.

The suspicion is that Mr John Major, UK prime minister, is wrapping himself in the Union Jack to prevent a civil war in his own party over Europe in the run-up to the European Parliament elections in Juna, wbere polls suggest the Tories will suffer heavy losses. The prime minister also looks boxed in by his own Cabinet, where a mixture of Euro-sceptics and pretenders to the premiership have turned an arcane voting system into a *cause célèbre*.

When EU foreign ministers met on Tuesday, Britain and Spain were clearly isolated. Ten countries declared there was no question of offering legally-binding protection for the 23-vote blocking minority, a position echoed by the European Parliament, whicb must give its assent to the enlargement treaty by early Msy or postpone consideration until after the June polls.

Here is the big risk. Without an early favourable vote in the Parliament, there seems little hope of Finland, Sweden, Austria and Norway holding referendums oo the accession treaties in time for the target date for entry into the Union. "The whole momentum of enlargement would be lost," said one Scandinavian ambassador.

Britisb officials say their best hope lies in persuading Germany to come up with a compromise. The Bonn government has little appetite for making population reflect voting power more accurately because it would mean a more populous Germany acquiring more votes than France, thus jeopardising the relationship with its closest ally. It insists that the threshold is raised from 23 to 27 votes.

British officials are hoping, bowever, that Germany may agree to a deal whereby certain areas – notably social policy – would be subject to the 23-vote blocking minority in return for UK acceptance of 27 votes on most other areas. But such a solution still runs the risk of being turned down by the Parliament.

What irks Britain and Spain's partoers is that London and Madrid implicitly accepted tbe principle of a "mecbanical" adjustment in voting weights at the Lisboo summit in June 1992. The European Commission, as well as federalist-minded countries such as Belgium and the Netherlands, argued in favour of more far-reaching reforms to streamline decision-making in an expanded European Union; but they were overruled by the UK and Germany which insisted tbat enlargement should come first.

A Dutch diplomat, ecboing widespread sentiment in Brussels, argues that the UK's strategy is to "roll back" Maastricht and push tha European Union furtber towards loose inter-governmental co-operation. "The British are taking a very consistent line," agrees a German official.

The question is whether the rest of the Union has the stomach to provoke a confrontation now, or cobble together a compromise in the hope that the deep divisions over the future shape and pace of integration can be resolved in 1996.

Mr Jacques Delors, Commission president, has no doubt about the best outcome. "It is better to have a crisis than to have a bad compromise which later turns out to make things five or six times worse."

Let's be the 51st state

This memo was discovered wrapped around a Motorola mobile telephone, on the pavement outside a Japanese government ministry.

To: The Cabinet Office.
From: Interministerial Sub-committee on Economic Relations.
Title: Adhesion to the US.

Dear Sirs,

You asked for advice on Japan's strategy in the trade dispnte with the US. We present a modest proposal for inclusion in the package of measures to open Japan to imports, due to be unveiled by the end of the month. The government should present an application for Japan to be accepted as a state of the United States of America.

Constitutional experts tell us that Japan might, in soms important areas, expect less intervention than now from Washington in the exercise of its sovereign rights if it became a US state.

We make this suggestion both in the spirit of responding to US criticisms of the Japanese bureaucracy's alleged lack of imagination, and on national (or state) interest grounds. US membership could bring the following benefits.

● Economic: Japan'a current account surplus would vanish and reappear where Washington appears to want it, as a US surplus.

There would be little practical difference to Japanese economic policy. The Tokyo government is already used to importing the US example, on monetary policy in the late 1980s and on fiscal matters, if incompletely this year.

Currency union between the yen and the dollar would be the opportunity we need for correcting the Japanese currency'a over-valuation and the dollar's under-valuation.

The fact that Congress's constitutional right to fix the value of money would mean it had the power to set the dollar-yen alignment parity need not be a problem. Japan's 124m people would carry a certain political weight in the new US with its enlarged population of 374m. In theory, that should allow the new state of Japan to lay claim to around a third of the seats in the House of Representatives.

We recommend Y360 to the dollar, the rate prevailing before the 1971 abandonment of the gold link, as the starting point for negotiations on the alignment parity.

Japanese purchasers of US government bonds would be able to pick up more, free of exchange rate risk, while US institutions, strong buyers of Tokyo stocks recently, could sweep the market. Japanese banks, meanwhile, would be happy to hand monetary policy to Mr Alan Greenspan, chairman of the Federal Reserve, given his experience in defending US banks in trouble.

● Trade: The guarantee of free trade between US states, as laid down in the US constitution, would remove the basis for dispute with Washington. No more arguing over the definition of a foreign mada semiconductor chip, nor haggling over mobile telephone technology. No more anti-dumping suits.

This would unleasb a flow of cheap imports, from food to cosmetics, to the new state of Japan, supporting the existing policies of new governor Morihiro Hosokawa promoting deregulation and lower consumer prices.

The consequences would be spread through the larger US economy to both sides' benefit. Japan would get an economic boost and the US a dose of deflation. The increased size of the US single market would help both sides get richer and provide a counterbalance to the European Union, another powar bloc taking on new members.

Our constitutional advisers, at the same time, note that US states do have a certain latitude to impose state tariff barriers to trade, on health and safety grounds. This opens the appealing prospect of reimposing tha ban on non-Japanese rice, in tha same spirit as the Californian ban on many kinds of imported citrus fruit.

We believe, however, that there should be no inter-state trade barriers for the car industry. It would be a positive benefit for the new Japanese state to switch from driving on the left, to driving to the right, as in the rest of the US.

This would be welcome to the car industries of our new state neighbours, but pose no practical problsm for Japanese car producers, long accustomed to adjusting models to local markets. Nor should this pose a problem for Japanese drivers, since the residents of Okinaws island switched from right to left in the mid-1960s without mishap.

● Foreign policy: Our government has often been criticised for its lack of one. Like it or not, we think this is close to the truth. But as a US state, it would be unconstitutional to run our own foreign policy, so we could all sigh with relief. We could even disband the military. That would please Prime Minister Hosokawa since it would keep the Socialists on his side in the coalition.

● Power structure: There need be no change of Japanese government. Nor need Japan reverse its recent electoral reforms, since states are antitled to establish their own systems for state elections. Mr Hosokawa's eight years as governor of Kumamoto Prefecture should equip him well to be a state governor. Who knows, he might even succeed former governor Bill Clinton, if the Japanese lobby takes root in Washington.

● The emperor: As far as we know, no US state has one, though the territory of Hawaii used to have a king until 1898. However, we believe that the freedom of religion clause in the first amendment assures Japan'a right to keep its emperor, on the grounds that his father was – for some of his life – a god.

William Dawkins and Michiyo Nakamoto

OBSERVER

Nominally ministerial

■ "He that filches from me my good name ... makes me poor indeed." Could Othello be the next Japanese folk hero? About 4.5m Japanese, who are facing a government edict to alter the way they write their names, could echo his plaintive words.

The Justice Ministry wants to computerise its list of 45.4m officially registered family names, all of which are written, as is usual for Japanese signatures, in kanji, using Chinese characters. But 10 per cent of the names take irregular kanji forms, and the ministry's software can't cope. The oddballs must be "corrected" – with or without their owners' consent.

Parents who carefully select the kanji for their offspring's name, preferring a lucky number of brush strokes to dictionary correctness, are not best pleased.

"I wonder if the ministry has the right to exercise such discretion to change names," linguistics professor Susumu Ohno ponders from his tower at Gakushuin University meanwhile. And the ministry? Not surprisingly, in some quarters its name is mud.

Call home

■ In the coming era of telephone banking, Royal Bank of Scotland's choice of BT chairman Sir Iain Vallance as a vice-chairman has the right ring. With a father who once headed the Post Office north of the border, Vallance's Scots credentials also happen to be impeccable.

Colin Brown, BT's departing head of corporate affairs, was moved to recall that Scots connection the other day apropos some advice be was given on joining the Post Office, of which BT was then a part.

How fast could s graduate trainee rise to the next grade, he inquired gingerly of a golfing pal in the business.

"Three years minimum," came the reply, "unless your father runs the Post Office in Scotland – then it's five months."

Trappist speaks

■ It seems Lord Tebbit's self-imposed silence in the run-up to June's European elections will not be total.

His planned trip to the US notwithstanding, it seems the Tory party's arch-Eurosceptic intends to break his silence at least once – on behalf of one Professor Philip Treleaven, the prospective Conservative candidate for London South West.

But then again, with John Major suddenly coming over all tough in the battle about enlargement, the former Tory chairman's utterances may no longer spook the leadership quite in the way they ooce did.

'Wrong sort of franchise'

Piccolo Pekkulo

■ An Italian residing in Brussels is today savouring a magnum of Dom Perignon, thanks in part to the FT.

It's his prize for winning a bet that he could succeed in having published another in a series of multilingual hoaxes against newspapers, including this one.

His score in the FT this week purported to stem from one Manko Pekkulo, of Finland's Brussels embassy. The putative author explained that "Finlandisation" – being under Moscow's thumb – was not so bad, bnt added that it was probably inevitable that Finland would now be annexed by another empire, the European Union.

The Finnish mission quickly disavowed the letter; the FT published its disclaimer.

But "Manko Pekkulo", using a variety of pseudonyms, claims to have long plied the letters column of the Belgian daily, Le Soir, with spoof letters, including a joke at Japanese Emperor Akihito's expense during his visit to Brussels last September.

Yesterday's Italian daily L'Indipendente said that "the Financial Times had fallen to the pen of Zorro . . . Even the great can err".

Pole position

■ No great surprise that Jardine Matheson taipan Henry Keswick was a no-show at the company's press conference yesterday on the subject of delisting its shares in Hong Kong.

The notion of sweeping out of the stock exchange in a huff was very much his own, but, like the Queen and the Pope, Keswick does not grant interviews.

Normally based in London's Lombard Street, Jardine's *éminence grise* was indubitably present in the colony – Observer's man on the ground ran into his imposing self in the street.

But he left the talking to Sir Charles Powell, Margaret Thatcher's eminently plausible former adviser, who seems to have donned the mantle of the group's chief international fire-fighter.

The whole thing must have seemed a doddle to Powell, who arrived hotfoot from a couple of days in Malaysia with Mahathir Mohamad.

His usual brimming confidence was no doubt further bolstered by the fact that Gammon, the construction company owned jointly by Jardine and Trafalgar House, is now safely off the list of British firms proscribed from bidding for Malaysian government contracts.

Comrades

■ So it came to pass; the lion lay down with the springbok. Honoured lunchtime guest yesterday of South Africa's London-based ambassador Kent Durr was Peter Mokaba, ex-Robben Island prisoner, fiery orator, former leader of the ANC Youth League – known as "the young lions" – and member of its national executive.

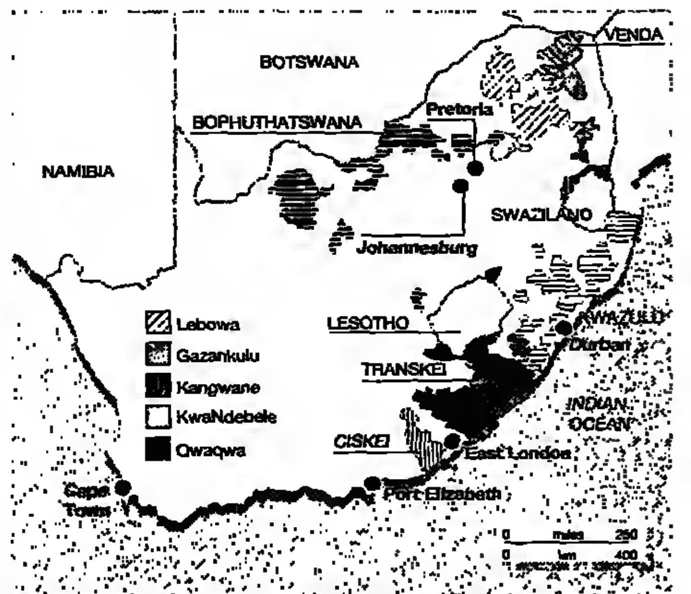
Durr, who is proving to be an adroit diplomatic performer, had persuaded Mokaba to speak at an embassy election seminar.

But the scourge of apartheid had another cause to plug – extolling South Africa's beaches in his new capacity as board member of the country's Tourist Forum.

FINANCIAL TIMES
Thursday March 24 1994

ANC sets collision course with Buthelezi over Zulu homeland

Patti Waldmeir in Johannesburg reports on a rise in tension ahead of April's poll



- Transkei and Venda: nominal independence ends with election; ANC-aligned
- Ciskei and Bophuthatswana: nominally independent, now being administered jointly by Pretoria and Transitional Executive Council
- Qwaqwa; Gazankulu, KwaNdebele, Kangwane: self-governing territory, legally part of South Africa.
- Lebowa: Self-governing territory, legally part of South Africa. Government has requested administration by Pretoria
- KwaZulu: Self-governing territory, legally part of South Africa; government is resisting elections; Zulu king has threatened secession

The African National Congress called on South Africa's multi-party Transitional Executive Council yesterday to take over the administration of the KwaZulu black "homeland" from Chief Mangosuthu Buthelezi, putting the ANC and the Chief's Inkatha Freedom party on a collision course.

The call, from ANC deputy secretary-general Jacob Zuma, the highest ranking Zulu in the ANC, represents a significant hardening of the organisation's position on KwaZulu, the only one of the 10 black homelands which continues to offer political opposition to the ANC. Asked whether the ANC-dominated TEC, which oversees government in the run-up to elections, should send in troops to remove Chief Buthelezi from power, Mr Zuma replied: "Why not?"

The TEC said on Tuesday night it would take all steps to ensure free political activity in KwaZulu/Natal, where some 85 people have died since the weekend. Inkatha supporters have prevented ANC election rallies and made voter education in KwaZulu almost impossible. Chief Buthelezi said last night he would allow the Independent Electoral Commission to prepare for elections in the homeland, but he has given such assurances in the past without persuading his supporters to respect them.

Mr Zuma said the TEC should cut off government funding to KwaZulu, which is a semi-autonomous "self-governing territory" within South Africa but receives all its funds from Pretoria. The ANC would tomorrow launch a campaign of mass action aimed at demonstrating that most Zulus oppose Chief Buthelezi's plan to boycott April's all-race elections, he said. The campaign would begin with a mass march in Durban on Friday and continue with civil servants' protests.

International mediation of constitutional issues would continue, Mr Zuma said – ANC sources said yesterday that former British foreign secretary Lord Carrington and former US secretary of state Henry Kissinger would be asked to mediate – but results would probably not come soon enough to resolve the crisis.

The ANC has eliminated all opposition from other homeland governments, widely vilified as the creations of apartheid. Other governments have either been ousted as a result of popular pressure orchestrated by the ANC – Brigadier Oupa Gqozo was removed from power in the Ciskei homeland on Tuesday night, and President Lucas Mangope of Bophuthatswana was deposed 10 days ago – or they long ago threw in their lot with the group they expect to lead South Africa's next government.

The ANC has ignored abuses of human rights in homelands which support it, most notably, the Transkei government of General Bantu Holomisa.

ANC officials, clearly excited by their victories in Ciskei and Bophuthatswana and angry at Chief Buthelezi's campaign to prevent elections in Natal, yesterday adopted a more belligerent tone towards KwaZulu.

One senior official, normally a moderate, said: "Buthelezi must learn the lesson of Bop. The KwaZulu police, the youth and the civil service – the same forces which brought down the Bop government – are present in KwaZulu: the time has come for them to stand up and be counted." He added that the ANC only needed "a trigger" to provoke Buthelezi's departure within weeks.

All homelands, including KwaZulu, will cease to exist after elections. But ANC officials said they could not wait for the poll before removing Chief Buthelezi: too many people were being killed in his campaign to prevent voting, they said, adding that they were determined to ensure participation in the poll.

But KwaZulu differs greatly from the other homelands where unpopular leaders have been toppled. Chief Buthelezi commands significant support and he is unlikely to crumble as other homeland leaders have done.

But thousands of KwaZulu police and civil servants depend for their salaries and pensions on funding from central government, which will be controlled by the ANC after April. The next few days and weeks will tell whether they decide to revolt.

S Korea warns it will invade if attacked by the North

By John Burton in Seoul

South Korea yesterday issued a veiled warning that if North Korea staged an attack, Seoul would respond by invading the North to overthrow the government of President Kim Il-sung.

"Our strategy is that, depending on the type of North Korean armed provocation, we would make it an opportunity to realise unification," Mr Rhee Byoung-tae, the defence minister, said.

"There are no signs that North Korea will launch a provocation soon," he said, but added that North Korean forces had intensified their training recently. "We cannot rule out the possibility if the UN Security Council starts deliberating sanctions."

The US and South Korea are now considering holding their joint Team Spirit military exercise some time this spring or summer, with late April being the earliest date, he added. The timing of the exercise is being determined by the arrival of 48 US Patriot missile launchers, which are not expected until mid-April. They will join the exercise.

Mr Rhee said North Korea had only limited time to drop opposition to international nuclear inspections if it wanted to stop Team Spirit. North Korean officials said yesterday that holding the exercises would be interpreted as a provocation.

However, Mr Rhee said: "Once the government officially announces the resumption of Team Spirit, it will be difficult to suspend the exercise again."

Mr Han Sung-joo, South Korean foreign minister, said the key to resolving the nuclear dispute lay either in UN sanctions or securing China's co-operation in persuading Pyongyang to accept inspections.

Neither South Korea nor the US intends to compromise on the basic issue of full inspections with North Korea, including the resumption of inter-Korean talks on mutual inspections as well as unrestricted access to the International Atomic Energy Agency.

South Korean president Kim Young-sam will leave today for six days in Japan and China to seek support in resolving the nuclear issue. His visit to Beijing, which begins on Monday, is the most crucial stage of the trip since he will ask Chinese president Jiang Zemin to intervene with North Korea in the dispute. China has expressed opposition to sanctions.

In a mixed message, North Korea said yesterday it was prepared for new negotiations as well as for armed conflict. "As we have declared time and again, we are fully prepared to answer dialogue with dialogue and war with war." It denounced deployment of Patriot missiles, accusing the US of bringing the Korean peninsula "to the brink of war".

Two-tier EU voting proposed

Continued from Page 1

a platform with the UK that threatens to delay the enlargement of the Union.

Foreign minister Mr Javier Solana said he held out "scant hope" that there would be a compromise over voting rights in the expanded Union when the EU foreign ministers meet in Greece on Saturday.

He dismissed speculation that Spain, which has specific interests such as the protection of Mediterreanean farm produce, would abandon the UK in what has so far been a joint opposition to changes in the EU's current blocking vote rules.

The UK's policy, which has in the past been at odds with Spain's characteristic Euro-enthusiasm, is viewed as a more blanket opposition to the decision-making process in Brussels.

THE LEX COLUMN

Sinking in the trough

FT-SE Index: 3155.3 (-46.2)

Tighter money in the US has made financial markets there supremely sensitive to any signs of rising inflation, and the obsession seems to be spreading. Yesterday's UK inflation figures played into the hands of the Jeremiahs, though the disappointment was largely superficial. There has been some faintly worrying background noise in the housing market, on average earnings and commodity prices, but producer price inflation is still depressed and the 0.6 per cent monthly jump in February's retail prices index owed much to the end of the January sales. Since the retail sales figure for that month was weak, higher prices in the shops may not stick.

Yesterday's figures need not undermine expectations of a further fall in the headline rate of inflation later this summer. But the conclusion on interest rates is different. The authorities would suffer a serious loss of credibility if they cut rates on the back of yesterday's figures. Next month's data will be perilously close to the European and local elections. Cutting rates then would invite the charge of political influence on monetary policy.

The hope must be that the economy has enough momentum to shrug off next month's tax rises. If so, the eventual judgment will be there was never any need for another base rate cut anyway. But growth cannot continue indefinitely without some pressure on prices. Barring a serious hiccup in the recovery, the trough in rates may have been reached. Yesterday's 46-point fall in the equity market suggests this point is finally sinking in.

Kingfisher

Marks and Spencer's surging profits are living proof that Kingfisher's everyday low pricing strategy works. Sadly, there is as yet little evidence that it works at Kingfisher. Last year operating profits in the main UK retailing businesses actually fell by 3 per cent, despite all the huffing and puffing. B&Q is a central plank of the EDLP idea, yet profits here will probably be lower in 1996 than they were in 1990. Group earnings may rise by no more than 10 per cent in 1994 and 1995, which goes a long way towards explaining the heavy de-rating of the shares since the turn of the year.

Perhaps Kingfisher simply has the right strategy and the wrong businesses. Electrical retailing offers a high return on capital in out-of-town locations, but most store chains are still dogged by their expensive high street shops. If they are eliminated, returns may fall. Superdrug has a weak position against Boots, and may also be squeezed by the food superstores. Woolworths is trying EDLP, but in many of Woolies' specialities, out-of-town chains such as Toys 'R' Us are more effective players of the EDLP game. If Woolworths did not exist, it would probably not be necessary to invent it.

Faced with a difficult hand, at least the company is doing most of the right things. Mr Alan Smith, the new chief executive, is strengthening the management team and installing better systems. There may well be a revolution going on at Kingfisher. EDLP may work. But it will be quite a while before shareholders find out whether it is going to benefit them.

Institutional investment

The government's institutional investment figures for the final quarter of 1993 bear all the footprints of fund managers stampeding into the fashionable assets of the day. There was strong net investment in overseas securities and property as investors scrambled to fulfil the targets set by their asset allocation committees. It is perhaps little surprise that many overseas markets have proved groggy since and property shares have paused for breath.

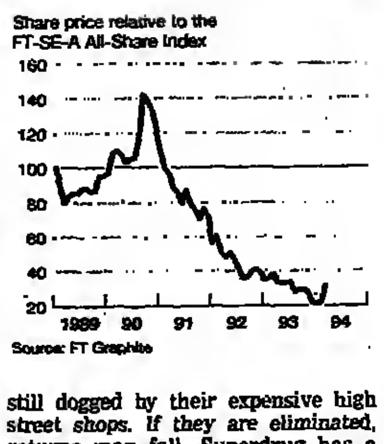
Institutional liquidity will be fuelled again this year by rising dividends, the ending of many pension fund holidays and strong sales of single-premium investment products by the life insurance sector. Theoretically, that should help UK financial markets. With cash inflows remaining high and the rate of gilts and equity issuance dropping sharply, markets should be squeezed higher by the sheer weight of money. The inflow of fresh funds into institutions may reach £55bn this year while the government's funding requirement will drop from £50bn to £38bn. The flow of rights issues has abated; flotations are only likely to absorb part of that shortfall.

But that happy investment scenario tends to overlook the influences on the existing owners of stocks and assets. Hedge funds have been pruning their holdings and overseas investors have turned tail in the gilts market. UK institutions may be flush with cash this year but the signs are they will have to take up a lot more of the running.

Lasmo

Lasmo

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

It is difficult to quibble with Lasmo's decision to pass its final dividend. With development expenditure set to remain high over the next three years and the oil price at rock bottom, the company is being squeezed. Exploration spending has already been scaled back to £50m a year, probably not enough to replace reserves now being drilled. Gearing could rise above 100 per cent – counting Lasmo's US preference shares as equity – before Liverpool Bay and other development projects come on stream. In that context the £20m cash cost of the dividend was a burden.

Gearing would be less of a worry if Lasmo's balance sheet understated the true value of its assets, as is often the case with oil companies. But even after yesterday's write-downs, the suspicion remains that more will be required. Having replenished shareholders' funds with dollar prefs last year, the company is comfortably above minimum net worth covenants imposed by its bankers. Should oil prices dictate further write-downs, though, Lasmo's management might feel more comfortable with an infusion of real equity.

The snag is that shareholders would have little incentive to subscribe under those circumstances. Despite all its good work last year reducing overheads and disposing of high-cost production – yesterday's sale of its interest in the Ninian field is a case in point – Lasmo requires a material recovery in the oil price if it is to flourish. It is hard to see the shares outperforming until that is in prospect.

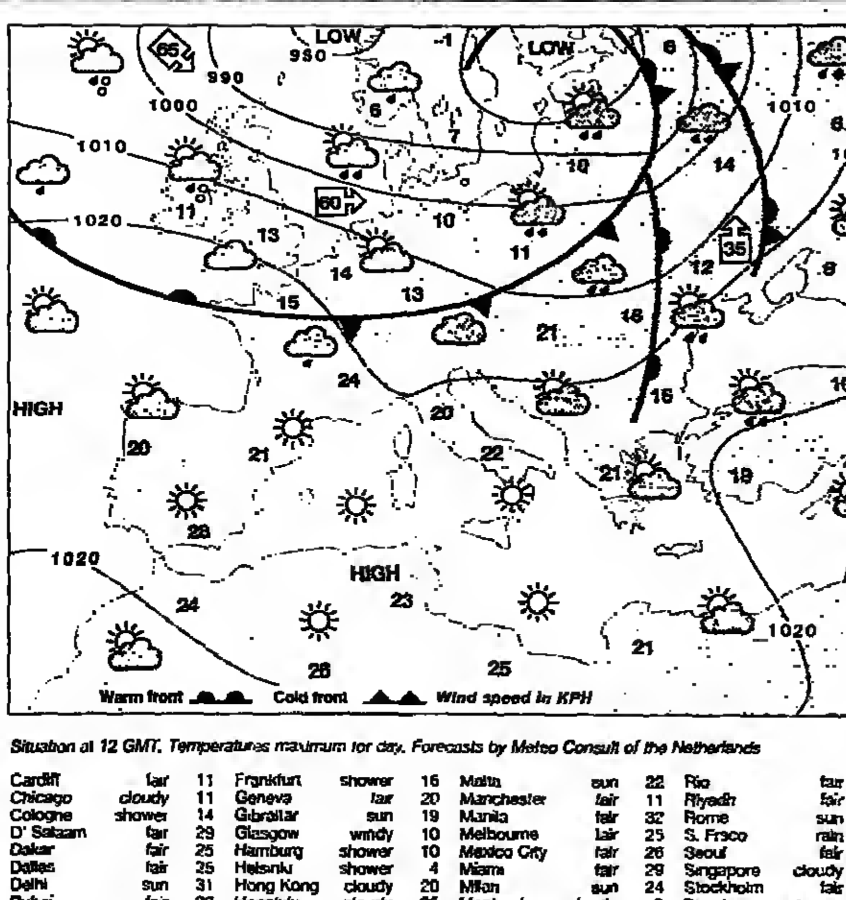
FT WEATHER GUIDE

Europe today

The zone between cool air in the north and mild air in the south will cause cloud and rainy conditions over northern France, southern Germany, southern Poland and western Russia. North of this zone, there will be sunshine and scattered showers, but western Scotland, northern Ireland and south-west Norway will have showers, and occasional hail showers. The Scottish coast and the North Sea area will have gale force winds from the west. The central and northern districts of Scandinavia will have wintry conditions with some snow, especially in Finland. It will be sunny in the Mediterranean area and the Balkans will have occasional sunshine and broken cloud.

Five-day forecast

Conditions on the continent will remain unsettled as far south as the Alps, but will improve during the weekend, with sunshine and mild air. The UK will have fair conditions on Saturday, but on Sunday cloud and rain will arrive from the west. Unsettled conditions will persist in Scandinavia, though it will be warmer. Southern Europe will remain dry with plentiful sunshine, although scattered showers will fall in Spain on Sunday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	29
Accra	cloudy	32
Algiers	sun	24
Amsterdam	fair	11
Athens	sun	17
B. Aires	shower	22
B.ham	fair	11
Bangkok	fair	31
Barcelona	sun	21
Beijing	fair	12
Belfast	shower	10
Belgrade	sun	24
Berlin	shower	13
Bermuda	shower	23
Bogota	cloudy	20
Bombay	sun	33
Brussels	shower	13
Budapest	fair	22
C.hagen	windy	8
Cairo	fair	23
Cape Town	cloudy	22
Caracas	fair	25
Cardiff	fair	11
Chicago	cloudy	11
Cologne	shower	14
D' Salaam	fair	29
Dakar	fair	25
Dallas	fair	25
Delhi	sun	31
Dubai	fair	28
Dublin	fair	12
Dubrovnik	sun	20
Edinburgh	fair	10
Faro	sun	22
Frankfurt	shower	16
Geneva	fair	20
Gibraltar	sun	19
Glasgow	windy	10
Hamburg	shower	10
Helsinki	shower	4
Hong Kong	cloudy	20
Honolulu	cloudy	26
Istanbul	sun	12
Jersey	cloudy	12
Karachi	sun	35
Kuwait	sun	28
L. Angeles	shower	17
Las Palmas	sun	22
Lima	fair	27
Lisbon	sun	24
London	fair	13
Lux.bourg	rain	14
Lyon	fair	22
Madeira	shower	21
Madrid	sun	24
Majorca	sun	22
Malta	sun	22
Manchester	fair	11
Manila	fair	32
Melbourne	fair	25
Mexico City	fair	26
Miami	fair	29
Milan	sun	24
Montreal	cloudy	2
Moscow	rain	6
Munich	fair	20
Nairobi	shower	29
Naples	sun	21
Nassau	fair	30
New York	shower	13
Nice	sun	19
Nicosia	shower	20
Oslo	cloudy	7
Paris	rain	16
Perth	fair	29
Prague	rain	15
Rangoon	cloudy	32
Reykjavik	snow	2
Rio	fair	27
Riyadh	fair	29
Rome	sun	18
S. Frsco	rain	14
Seoul	fair	6
Singapore	cloudy	30
Stockholm	fair	6
Strasbourg	shower	20
Sydney	fair	22
Tangier	sun	21
Tel Aviv	fair	20
Tokyo	rain	12
Toronto	rain	8
Tunis	sun	23
Vancouver	fair	12
Venice	sun	20
Vienna	fair	22
Warsaw	shower	15
Washington	shower	21
Wellington	fair	14
Winnipeg	fair	0
Zurich	sun	18

FINANCIAL TIMES
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IN BRIEF

Bank Austria wins GiroCredit

Bank Austria, the country's largest bank, has won the battle for control of GiroCredit, the country's third largest bank, banking sources in Vienna said last night. The takeover, which was due to be announced next week, will help reduce excessive competition in Austria's financial sector and boost Bank Austria's relatively weak position in the domestic capital markets. Page 16

Allied Dunbar gets Hill Samuel's life sales
Hill Samuel Hill Samuel, part of the TSB banking group of the UK, is to close the life and pensions part of its financial services arm to new business. Most of its direct sales force will be offered jobs at Allied Dunbar, the BAT subsidiary. Page 16

Halifax ready to cut rates
Halifax building society, the UK's largest, said yesterday that if there were a further 0.25 percentage point cut in base lending rates then it would reduce its variable mortgage rates. Page 16

Investors get picky on IPOs
March has not been kind to the US market for initial public offerings of stock (IPOs). Northwest Airlines cut the price on its planned issue, then the Federal Reserve raised short-term interest rates. For the IPO market, both events should spell trouble. Page 17

US retailer expands in Japan
Wal-Mart, the leading US discount retailer, and Ito-Yokado, a large Japanese supermarket chain, have reached an agreement under which Wal-Mart will supply its own-brand products to the Japanese retailer. Page 18

Spring for equities in Kenya
Nairobi's stock exchange has suddenly sprung to life. Back Page

Argyle is forever
The Argyle diamond mine in the far north of Western Australia is pressing on with a project designed to ensure that Argyle remains the world's biggest diamond producer into the next decade. Page 24

Barratt sees rise in UK house prices
The housing market recovery in the UK is gathering pace with sales and prices expected to rise further in 1994 according to Sir Lawrie Barratt, chairman of Barratt Developments, which more than doubled interim pre-tax profits. Page 21

Bowthorpe 20% up in tough times
Bowthorpe, the UK-based international electronic and electrical components group, reported a 20 per cent increase in pre-tax profits. The result was described by Mr John Westhead, chief executive, as "pleasing". Page 20

Lex slips
Lex Service, the UK's largest car distribution and leasing group, yesterday reported pre-tax profits, including exceptional items, of £101.5m ($148m) in 1993 compared with £107m. Page 20

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Daimler-Benz	859.5	+	13.5
Didier-Werke	163.8	+	6.6
Dragerwerk	294	+	8
Volkswagen Prf	402.8	+	5.8
Legrand	6280	+	110
SLIC	820	+	38
UFB Locabail	479	+	10.5
Falls			
Asko Prf	810	-	30
Carnaud MB Bx	186.9	-	4.1
Eridania B-S Ct	820	-	15

NEW YORK ($)

Rises			
Ford	63¾	+	2¼
Gen Instrument	51⅞	+	2⅛
Gen Motors	60⅞	+	1⅛
Intl Paper	70⅞	+	1¼
Lomas	0	+	1¾
Falls			
Ruberoid	29⅞	-	⅝

PARIS (FFr)

Rises			
Credit Nat	620	+	11

TOKYO (Yen)

Rises			
Hitachi Koki	970	+	30
Nitto Denko	1500	+	70
Falls			
Daiei Inc	1710	-	100
Kajima	882	-	33
Mitsukoshi	910	-	45
Tokyo Rope	650	-	30

New York prices at 12.30pm.

LONDON (Pence)

Rises			
Fairway	101	+	12
Glenchewton	43	+	4
Matthews (B)	106	+	4
TT Group	384	+	12
Falls			
Acatos & Hutch	324	-	10
Aspen Comms	186	-	8
Barr & WAT A	314	-	12
Bowater	438	-	15
Clinton Cards	156	-	7
Devro Intl	244½	-	12½
Glaxo	622	-	40
Iceland	147	-	6
Johnson Fry	298	-	15
Rellex	48	-	5
Rothmans Uts	386	-	21
Sharelink	325	-	29
Stocklight	326	-	14
Smith New Court	391	-	21
Sunset & Vine	132	-	18
Utd Newspapers	636	-	24
Wellcome	801	-	22

Nordbanken rebounds from bail-out

By Hugh Carnegy in Stockholm

Nordbanken, which the Swedish government rescued from collapse with a SKr51bn bail-out, yesterday announced an annual operating profit of SKr2.7bn ($344m), making it the country's most profitable bank in 1993.

This is bound to reinforce complaints by Handelsbanken, Skandinaviska Enskilda Banken and the other Swedish banks that the scale of state assistance to Nordbanken gave it an unfair competitive advantage.

The profit followed a record loss of SKr16.6bn in 1992 when Nordbanken became the biggest victim of a loan-loss crisis which swept through the Swedish banking system. Its spectacular return to the black outstripped the profit of SKr1.8bn achieved last year by Svenska Handelsbanken, which avoided the worst of the credit loss slump.

The 1993 results clearly showed the effects of the state's bail-out on Nordbanken. The off-loading of SKr67bn of bad loans to Securum, a separately run "bad bank", meant credit losses, mostly accrued in the property sector, tumbled to SKr4.2bn from SKr19.2bn in 1992.

Non-performing loans stood at SKr12.2bn, compared with no less than SKr39.4bn in 1992. Provisions for problem loans were set at SKr6.3bn compared with SKr22.4bn.

Nordbanken received capital injections from the state worth SKr16bn, while the authorities used a further SKr35bn of taxpayers' money to capitalise Securum. In addition, at the turn of the year Nordbanken took over Gota Bank, another victim of the crisis bailed out at great expense by the state. Nordbanken did not consolidate Gota Bank in its 1993 accounts.

The authorities have responded to other banks' criticisms by pointing out that Nordbanken is having to spend SKr3bn in further recapitalisation needed at Gota Bank. Gota earlier this week announced an operating loss in 1993 of SKr13.6bn despite the injection of SKr20bn in state funds and a bad loan laundering arrangement similar to the Securum operation at Nordbanken.

At the underlying level, Nordbanken said profits before credit losses rose sharply because of falling interest rates and higher investment income. Excluding the effects of the Securum operation, profits before credit losses rose 31 per cent to SKr6.9bn.

Darty pushes Kingfisher to 51% advance

By Peggy Hollinger in London

Kingfisher shares fell yesterday in spite of better than expected results, reflecting disappointment over the retailer's underlying performance in the UK.

Pre-tax profits of £309.3m ($450m), a rise of 51 per cent, were £10m ahead of expectations. Sales were 26 per cent ahead at £4.48bn.

The profit advance was largely fuelled by a £79.2m operating contribution from Darty, the French electricals retailer acquired in February last year for £1bn. Interest charges were lower than expected at £7.6m and the property contribution jumped from £8.1m to £43m.

Operating profits from the main UK retailing businesses, where Kingfisher launched a strategy of everyday low pricing last year, fell 3 per cent.

One analyst described the returns from Comet, Woolworths, B&Q and Superdrug as "a bit disappointing".

The shares fell 9p to 561p, and have dropped 22 per cent since January's trading statement after which analysts downgraded expectations from £315m to £300m. Analysts indicated that 1995 forecasts would be trimmed.

Sir Geoffrey Mulcahy, chairman, rejected criticism of the low price policy. "It is designed to attack the lower growth and more competitive retail environment of the 1990s," he said.

Kingfisher has decided to step up introduction of electronic points of sale throughout the group to help cut costs. Sir Geoffrey said the results demonstrated the "soundness of both Kingfisher's businesses and its balance sheet". Debt was reduced from 66 to 33 per cent of shareholders' funds.

Darty had been "particularly encouraging", said Sir Geoffrey, "given the recession in France". The group had increased market share in an intensely competitive environment, and deliberately avoided chasing lower-margin volume.

The chairman would not comment on current trading. However, Kingfisher has decided to make two trading statements a year in addition to announcing its results.

The dividend was raised 10 per cent to 10.5p, for a total 9 per cent higher at 14.9p.

Fully diluted earnings rose 15 per cent to 36.9p.

Details, Page 20; Lex, Page 14; Selling it cheap, Page 9

Lasmo falls after weak oil prices

By Robert Corzine in London

Lasmo, one of the UK's largest oil exploration and production companies, yesterday passed its final dividend as it struggled to come to terms with continuing oil price weakness.

It reported a pre-tax loss of £9m ($13.4m), against a restated deficit of £262m. After tax and dividend payments, the amount withdrawn from reserves was £141m. The loss per share was 17.5p, reduced from 52.3p.

The group said the loss attributable to shareholders before exceptional charges was £59m, compared with a £34m profit.

Mr Joe Darby, chief executive, said oil prices lingering around the $13-$14 a barrel level for Brent Blend constituted the "exceptional circumstances" that caused the board to chop the final dividend. It promised last year to make a final 2p payout to equal the previous 3.3p total.

"We thought the 1.3p announced at the time of the interim results was enough," he said. The decision would save £20m cash. The future annual dividend would be 1p, until "an increase can be justified".

Low oil prices caused the company to make a £120m provision against assets including fields in Nova Scotia and Italy, and a new accommodation platform at the UK Claymore field. UK tax changes allowed the release of £45m provisions, leaving a net exceptional charge of £72m.

Turnover was £678m, up from £621m, as production rose 10 per cent to 167,000 barrels a day of oil equivalent (including natural gas). Operating profits totalled £110m, against £112m.

Lasmo's vulnerability to low prices was illustrated by an average cost of sales of £8.15 a barrel, compared with current sterling price of about £9.30. The company aims to trim unit operating costs of £4.10 a barrel by 10 per cent this year and by 25 per cent in real terms over the next four years.

A shift towards lower cost production was highlighted by yesterday's announcement of the £84m sale of Lasmo's interests in the high-cost mature Ninian field in the North Sea.

Year-end gearing was reduced from 110 to 75 per cent, on net debt of £794m. The company has extensive development programmes, and Mr Darby acknowledged that the target of keeping gearing to 80-90 per cent by 1995 was based on oil prices "higher than they are today".

Lex, Page 14; Details, Page 21

Simon Holberton reports on trading group's delisting from Hong Kong

Sunset in the east for Jardine's stock

Jardine Matheson, the British trading company most associated with the founding of Hong Kong more than 150 years ago, is to cease trading its shares on the colony's stock exchange at the end of this year.

Mr Henry Keswick, the company's chairman, said yesterday Jardine had been unable to persuade the Securities and Futures Commission (SFC), Hong Kong's corporate watchdog, to relinquish its regulatory oversight of the company in favour of arrangements which Jardine had entered into with the monetary authorities of Bermuda, its place of incorporation.

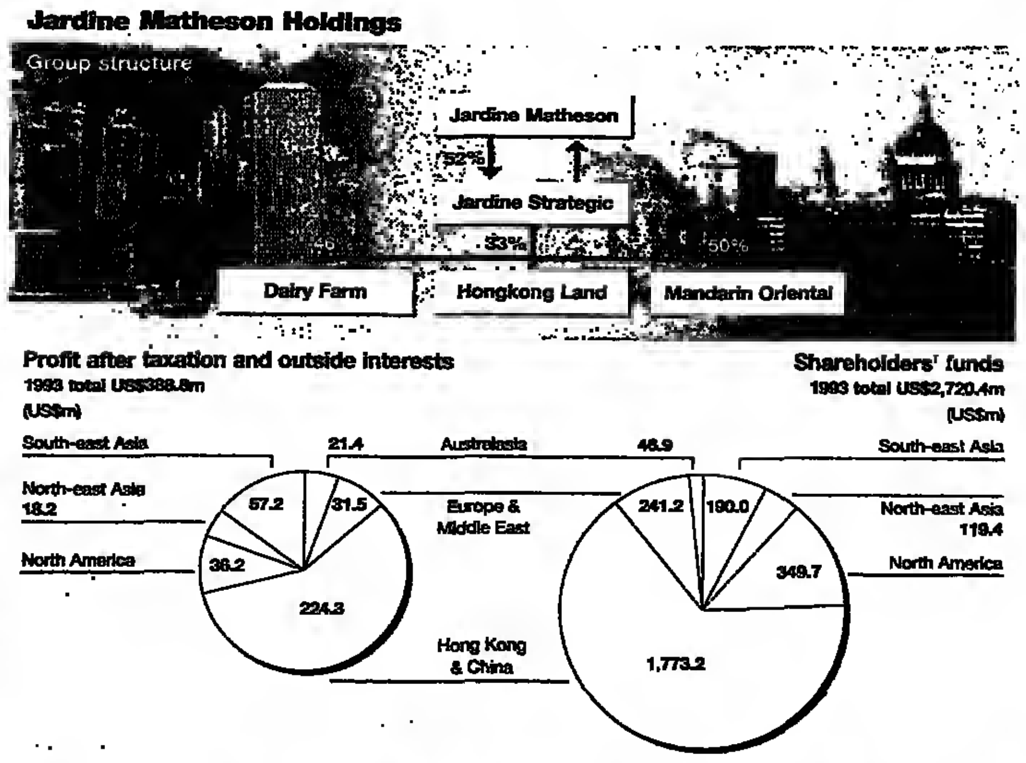
At Jardine's request the Bermudan authorities had enacted laws to bring the company and its subsidiaries under a statutory version of the London Takeover Code. The SFC said it did not believe the Bermudan authorities had the experience to regulate a Hong Kong-listed company and could not, therefore, provide adequate investor protection.

Jardine's announcement brings to an end a 10-year process of disengagement from Hong Kong's regulatory regime. In March 1984 the company announced it would move its domicile to Bermuda; in March 1991 it said it would move its primary stock exchange listing to London. Other members of the Jardine group, including Jardine Strategic, Dairy Farm, Mandarin Oriental, and Hongkong Land are expected to announce their intention to delist in due course.

Jardine's shares have been traded in Hong Kong since 1961 when the heirs of Mr William Jardine and Mr James Matheson took the company public. Its decision to delist – 2¾ years before the resumption of Chinese sovereignty – seems a wretched move for a company which can trace its antecedents back to the 1830s in Canton. It was on the encouragement of Mr William Jardine, one of the company's co-founders, that Lord Palmerston agreed to the occupation of Chinese territory to promote Anglo-Chinese trade. This led to the seizure of Hong Kong in 1841.

Since then the company has had a chequered relationship with China. It was Jardine Matheson which made its fortune trading opium in China and built China's first railway. It was Jardine executives who ran the Shanghai municipal council until the revolution. And it was Sir John Keswick, taipan, or "big boss", and friend of Chinese premier Zhou Enlai, who signed over Jardine's assets to the communists.

The decision to quit the Hong Kong stock exchange was visceral rather than logical, in spite of the elegant glosses supplied by Sir Charles Powell, a Jardine board director. He argued that delisting was a technical measure to complete a process of bringing the company under UK law, begging the question of why it was necessary to do so in the first place.



Jardine's top managers – the brothers Henry and Simon Keswick – lack faith in the ability of the SFC and stock exchange to administer a level regulatory playing field in the colony after China resumes sovereignty in 1997. In any case, their roots are increasingly in the UK. On the corporate side, through Hongkong Land, they moved last year to control Trafalgar House, the construction and engineering group, and through Dairy Farm International they control Kwik Save, the food retailer. At a personal level, Henry sits on the board of the Telegraph newspaper, and his wife is an adviser to Mr Kenneth Clarke, the UK chancellor.

Jardine, which employed 250,000 people in China in 1949 when the Communist Party assumed power, fears the possibility of asset appropriation through arbitrary decision making by regulators.

Under the arrangements which it has fashioned for itself, the final judicial arbiter in any legal dispute will be the Privy Council in London; in Hong Kong post-1997, the final arbiter would be the standing committee of the Chinese National People's Congress.

For Jardine there was no choice. But it also put the SFC in an impossible position. The SFC would have been implicitly endorsing Jardine's view of post-1997 Hong Kong had it agreed to let the Bermudan authorities regulate the company while it remained listed in Hong Kong.

The company's fears appear to be limited to itself. A decade ago such an announcement would have sent stock prices lower in Hong Kong, but yesterday prices rose strongly. The Hang Seng Index ended 453.36, or 5.03 per cent, higher at 9,465.53. A lot of market activity was centred on investors chasing stocks which might be candidates for the Hang Seng Index slots which Jardine and its affiliates will relinquish when they withdraw from the market.

Mr Charles Lee, chairman of the Hong Kong Stock Exchange, said the exchange had "noted" Jardine's statement. He pointed out that Jardine Matheson accounted for only 1.66 per cent of the stock market's capitalisation. The stock exchange had made it plain that it saw its future with China.

Jardine's position on the mainland must be under question. Perversely it has one of the largest business presences in China. The Jardine group has 60 joint ventures and other businesses with turnover of about $1bn a year. Although, according to Peregrine, a local brokerage, the Jardine group of companies has sold HK$7.4bn ($958m) of assets in Hong Kong since 1989 and invested HK$9.8bn outside the colony. Jardine Matheson has been an investor in Hong Kong to the value of nearly HK$1bn.

Mr Nigel Rich, Jardine taipan, said yesterday that delisting may have some impact on the company's business in China but he did not expect it to be of a "significant nature". It is possible that by being less public Jardine may be able to go about its business more quietly. It share price will cease to function as a barometer of Anglo-Chinese relations.

Before yesterday's announcement the company was trading on a prospective 1994 price/earnings multiple of around 10.5 times. This compares with Inchcape, the UK-listed trading group, which was trading on about 17 times. As Peregrine tartly observed: "There is a possibility of an upward re-rating of Jardine Matheson if its principal audience was London and not Hong Kong."

Results, Page 18

Rescue to be struck today for Crédit Lyonnais

By Alice Rawsthorn in Paris

Mr Edmond Alphandéry, the French economy minister, will today finalise a rescue package to recapitalise Crédit Lyonnais, the troubled banking group.

Details of the package will be announced this evening with Crédit Lyonnais' 1993 results. The deal is understood to include a capital injection of at least FFr4bn ($678m). It will transfer most of the non-performing property loans into a new state-controlled company with the government guaranteeing about FFr15bn of those loans.

The ministry yesterday stressed that the exact size of the capital increase would not be decided until Mr Alphandéry had seen the 1993 accounts. He would then decide what proportion of the transferred loans would be guaranteed by the state.

Crédit Lyonnais' accounts will be presented to a board meeting today and then be shown to Mr Alphandéry.

Officials declined to comment on French press reports that the Caisse des Dépôts, the state financial institution, would participate in the capital injection together with Thomson, the electronics group that owns 21.6 per cent of Crédit Lyonnais.

Analysts are braced for a ghastly set of 1993 figures with a net loss of up to FFr5bn for 1993 against FFr1.85bn in 1992, after Mr Jean Peyrelevade, who became chairman last November, made hefty provisions on the bank's weak loans and failed investments. Ms Sheila Garrard, banking analyst at Lehman Brothers, said: "All we can do is guess that the new chairman will clear everything out."

BNP results, Page 16

Bank Austria wins battle for control of GiroCredit

By Patrick Blum and Ian Rodger in Vienna

Bank Austria, the country's largest bank, has won the battle for control of GiroCredit, the country's third largest bank, banking sources in Vienna said last night.

The takeover, which was due to be announced next week, will help reduce excessive competition in Austria's financial sector and lift Bank Austria's relatively weak presence in the domestic capital markets.

The outcome followed quickly after the threat on Monday by the four executive directors of GiroCredit to resign when their contracts expire at the end of June.

The executives said they acted out of frustration with the stalemate over strategy on the bank's supervisory board.

GiroCredit is owned by Austria's savings banks, which use it as a central clearing organisation.

The two largest savings banks groups, Bank Austria and First Austrian, with 30 per cent and 20 per cent stakes respectively, have resented GiroCredit's competition against them.

To break the stalemate, First Austrian proposed last spring forming a consortium of savings banks to buy out Bank Austria. But it faced considerable difficulty convincing the savings banks of the merit of its proposal.

On March 1, Bank Austria, frustrated with the delay, launched a bid for 20.4 per cent of GiroCredit at Sch370 per share.

Last weekend, at a meeting of five large provincial savings banks, it became clear that only one would reject the Bank Austria proposal.

Bank Austria has since sweetened its offer, and is offering Sch400 per share for all GiroCredit shares tendered.

Bayerische Vereinsbank climbs

By David Waller in Frankfurt

Bayerische Vereinsbank yesterday became the second large German bank to report substantial growth in profits for 1993. The Munich-based Vereinsbank said group operating profits after provisions for bad and doubtful debts increased by 32 per cent to DM1.16bn ($687m).

The increase, more details of which will be revealed today, follows a 33 per cent increase in profits from Bayerische Hypotheken und Wechsel Bank, the other big Bavarian bank which reported earlier this week. It means that Vereinsbank's profits growth accelerated in the last two months of 1993, following a 27 per cent rise in the first 10 months of the year.

Bayerische Vereinsbank, which has just below a quarter of the domestic mortgage market, said the dividend would increase by DM3 to DM16. Half the increase is designed to pass on to shareholders the benefits of reduced corporate taxation; the other half is a special dividend to celebrate the bank's 125th anniversary reached in May this year.

Hypo-Bank earlier this week reported that provisioning for bad and doubtful debts climbed by 31.1 per cent to DM1.16bn and warned that the bad debt situation is unlikely to improve until 1995.

The rise in provisions was offset by an increase in profits from own account trading as well as from lending business and fee income, a pattern likely to be repeated today.

Both the big Bavarian banks have a high exposure to mortgage lending business, which was buoyant last year.

Vard may agree to demands for EGM

By Karen Fossli in Oslo

Vard, the troubled Norwegian cruise and ferry group, is expected today to announce an extraordinary general meeting to consider demands of disgruntled shareholders seeking to force a sweeping reorganisation of the board to reflect recent changes in the group's ownership structure.

Shareholders have expressed dissatisfaction with the way Vard is being run, frustration over losses and claims that the board has failed to implement a strategy to dispose of assets in order to reduce the group's debt.

However, US-based Radisson Diamond is reported to be seeking to acquire one of Vard's three cruise lines for an estimated $250m. Mr Torstein Hagen, a Vard board member and member of the board of Kloster Cruise, the group's cruise unit, is also reported to be considering a separate bid.

Mr Knut Kloster Jr, a Vard board member and chairman of the board of Kloster Cruise, was forced recently to make a large disposal of Vard shares, shrinking his stake to just over 7 per cent and thereby reducing his influence over the group.

Following the disposal, Uni Storebrand, Norway's biggest insurer, emerged as Vard's biggest shareholder, owning just under 10 per cent of the share capital.

Vard's divided board could see the exit of Mr Terje Mikalsen, chairman, Mr Kloster Jr, Mrs Trine Kloster, his mother, and close friend Mr Joergen Heje.

Mr Trygve Hegnar, a board member and second biggest shareholder – who is aligned with dissident shareholders – is said to harbour hopes of becoming chairman, while Uni Storebrand is widely expected to demand board representation.

Shareholder frustration swelled in January when a $565m deal to dispose of two of the group's three up-market cruise lines collapsed, but became exacerbated by last month's announcement of deeper losses in 1993.

BNP hit by bad loan provisions

By Alice Rawsthorn in Paris

Banque Nationale de Paris, the French banking group that last autumn staged a highly successful privatisation, yesterday announced that net profits fell by 53 per cent to FFr1.02bn ($172.9m) in 1993 from FFr2.17bn in 1992.

Mr Michel Pébereau, who last summer was appointed chairman of BNP to spearhead its sale to the private sector, had warned the stock market of the fall in profits.

Mr Pébereau said yesterday that the group had been affected "by the difficult economic environment across continental Europe, particularly in France, our main market."

In spite of the pressures on the French banking sector, which has for the past two years been depressed by weak demand for credit, BNP managed to increase its net banking income by 4.9 per cent to FFr41.46bn in 1993 from FFr39.52bn in the previous year.

The group made progress in cutting costs and, like other French banks, benefited from a strong performance in market trading, notably during the summer currency crisis.

As a result, operating profits rose faster than revenue, increasing by 8.5 per cent to FFr12.46bn in 1993 from FFr11.48bn in 1992.

However, BNP was forced to make large provisions on its sour loans to corporate clients and on the fall in value of some investments, principally in the property sector.

It raised its total provisions by 43.8 per cent to FFr10.81bn in 1993 from FFr7.52bn in 1992.

The scale of this increase was exaggerated by the absence of a FFr1.59bn write-back on previous sovereign risk provisions in 1992.

BNP was forced in 1993 to make an additional writedown of FFr176m on sovereign risks and raised provisions on its commercial banking business by 16.7 per cent to FFr10.63bn.

● Alcatel-Alsthom, the telecoms and engineering group, will today become the latest French company to take advantage of the buoyant bond market by launching a FFr5bn convertible bond issue.

The group said the timing of the issue, which will involve the launch of 6.25m bonds with a nominal value of FFr800, was purely opportunistic. "We'll use the proceeds to finance our long term expansion plans," it said. However, Alcatel is likely to use part of the cash to regain control of Framatome, the public-sector nuclear power group that it once controlled but in which it now has a 44 per cent holding.

Topdanmark returns to profit

By Hilary Barnes in Copenhagen

Topdanmark, the Danish insurance group, returned to profit of DKr107m ($16m) in 1993 after losing DKr53m in 1992 and DKr273m in 1991. A dividend of DKr10 was proposed for 1993. No dividend was paid for 1992.

The return to profit was due primarily to gains on securities in the buoyant Danish bond and share market last year. Capital gains soared to DKr346m, from DKr58m in 1992.

There was an operating loss of DKr274m following on losses of DKr111m in 1992 and DKr347m in 1991.

The insurance divisions made a profit on insurance operations of DKr107m compared with a 1992 loss of DKr50m. But after capital income profit increased to DKr372m from DKr192m in 1992.

Total premium income was unchanged at DKr3.2bn. Administration costs were cut to DKr715m from DKr808m.

Group equity capital at the end of last year was DKr2.53bn, up by DKr100m from 1992. Total assets increased to DKr30.07bn fro DKr28.72bn.

● The Lauritzen shipping and shipbuilding group moved into deficit of DKr171m ($25.5m) last year after making a net profit of DKr83m in 1992.

The group blamed weak markets for gas tankers, drilling rigs, bulk tankers and refrigerated cargo vessels for the poor performance. It added that the European Union's imposition of quotas on bananas imported from South America and tariffs on fruit from Argentina and Chile had an adverse effect on the result of its refrigerated cargo operations.

Group sales slipped to DKr13.48bn from DKr13.96bn. There was a loss of DKr153m after net financial items compared with a 1992 profit of DKr146m. There was an extraordinary DKr110m write-down of the value of drilling rigs and only DKr8m income from the sale of ships.

The parent company, Lauritzen Holding, will pay no dividend for 1993, the group said.

AssiDomän public offer oversubscribed

By Hugh Carnegy in Stockholm

The Swedish government said yesterday its sale to the public of a 34 per cent stake in AssiDomän, the forestry group, had been more than two times subscribed.

Combined with a further 15 per cent placed with Swedish and foreign institutions, the sale will raise SKr7.6bn ($962m).

Mr Per Westerberg, the industry minister, said he intended to go ahead with the even larger privatisation in June of Pharmacia, the state-controlled pharmaceutical group spun off last year from Procordia.

That issue could raise as much as SKr16bn at current market prices, but some doubts have been raised about the timing due to a spate of new issues in the Swedish market this year and the apparent end of a recent bull market.

Mr Westerberg said market conditions would dictate how much of the state's 45 per cent stake would be sold off this year but the intention was to dispose of the entire holding.

Some 590,000 Swedes applied for 86m shares in AssiDomän, 2.3 times the 37.5m on offer. The shares, to be listed from April 8, were priced at SKr138 for the public, a discount from the price of SKr153 set for institutions which valued the group at more than SKr16bn.

KNP slides to Fl 343m net loss

By Ronald van de Krol in Amsterdam

KNP BT, the Dutch paper and packaging group, expects to see a strong return to profit in 1994 after falling deeply into the red in 1993 as a result of heavy restructuring costs and difficult trading conditions in Europe, the company's main market.

Mr Robert van Oordt, chairman, said net profit would bounce back to at least Fl 100m ($52.6m) in 1994 from a net loss of Fl 343m in 1993, when results were influenced by extraordinary charges of Fl 320m. In 1992, KNP BT posted a pro forma net profit of Fl 116m.

The company, created in March 1993 out of a merger between the Netherlands' three leading paper and packaging companies, was confronted with declining demand, overcapacity and lower sales prices in Europe last year at a time when it was trying to integrate its operations.

The merger took place against the backdrop of the "deepest and most prolonged" decline in paper prices in 20 years, Mr van Oordt said.

The dividend is cut by Fl 0.10 to Fl 0.45. The company attributed the limited decline in the pay-out to its expectations of a strong improvement ahead.

At the operating level, profit fell sharply to Fl 294m last year from Fl 538m in 1992.

Of the group's four main businesses, only the paper merchandising and office products sector managed to hold operating results at 1992 levels. The paper sector and the graphic and information systems sector reversed into operating losses, while operating profits in packaging fell to Fl 295m from Fl 366m.

Mr van Oordt said he was encouraged by increases in paper prices in late 1993.

Halifax will cut mortgage rate if base rate falls

By Alison Smith

Halifax, the leading building society in the UK, said yesterday that if there were a further 0.25 percentage point cut in base lending rates then it would reduce its variable mortgage rates.

Announcing a 27 per cent rise in pre-tax profits to £866m ($1.26bn) for 1993-94, chairman Mr Jon Foulds made it clear, however, that a cut in rates to borrowers would also mean reductions for savers. Halifax attracted £1.1bn in retail savings last year, taking retail funds and deposits to £51.6bn.

Hill Samuel closes life and pensions operation

By Alison Smith in London

Hill Samuel, part of the TSB group, is to close the life and pensions part of its financial services arm to new business. Most of its direct sales force will be offered jobs at Allied Dunbar, the BAT subsidiary.

In return for what Allied Dunbar called a small payment, it will have the option to recruit the 600-plus sales force.

The move is a sign of much-expected rationalisation within the crowded life industry. The transfer will mean an increase in size for Allied Dunbar, which has 4,300 sales agents.

The decision marks a further step in TSB's strategy for Hill Samuel, which is to focus on its merchant banking and investment management activities.

The Hill Samuel concern will be saved the cost of attracting sales, although it will continue to service existing life and pension policyholders. The funds will be managed by its investment management arm.

In the year to October 1993, profits in the financial services business fell by £4m to £13m ($20m) – in spite of higher unit trust sales – as customers switched out of life products.

[redacted]

Seagram back in the black with $379m for year

By Robert Gibbens in Montreal

Seagram, one of the world's top drinks groups, said yesterday the recession in several key markets had hurt operating results for 1993, but its performance in the US, Germany, Asia and Latin America had strengthened significantly.

For the year ended January 31 1994, net income was US$379m or $1.02 a share, against a loss of $900m or $2.38 a year earlier, which included a special charge of $1.374bn or $3.64 a share. The charge reflected accounting changes stemming from its investment in Du Pont, the US chemical giant.

Excluding the accounting changes and other one-time charges by 24.5 per cent-held Du Pont, Seagram's net income was $1.75 a share, against $1.61 a share.

Seagram, controlled by the New York and Montreal Bronfmans, reported sales and other income from its drinks business of $6.04bn for the year, against $6.1bn last time.

Its Tropicana juice subsidiary reported a 19 per cent gain in operating profit to $102m.

Fourth-quarter net income from the drinks and dividends equalled 45 cents a share, against 46 cents while revenues were little changed at $2bn.

Results from Absolut Vodka, for which Seagram recently bought marketing rights, were not included in 1993.

Earlier this month, Seagram raised its holding in Time Warner, the multimedia giant, to 13.2 per cent for a total $1.7bn. Seagram said it would stop at 15 per cent, a total investment of $2bn. The Canadian group has denied planning a proxy fight for Time Warner control.

Analysts now value Time Warner at about US$40bn.

Salomon loses M&A man to Perella

By Patrick Harverson in New York

Wasserstein Perella, the US investment banking boutique, announced that Mr Fred Seegal had joined the firm as co-president. He had been joint head of domestic corporate finance at Salomon Brothers.

Mr Seegal's appointment – the latest in a series of defections by top Wall Street investment bankers working in the booming mergers and acquisitions business – is Wasserstein Perella's first significant hiring since co-founder Mr Joseph Perella left the firm last July.

After the departure of Mr Perella – who has since moved to Morgan Stanley – the firm lost another senior executive when its president, Mr Charles Ward, went to First Boston. Mr Bruce Wasserstein, current chairman and founder of the advisory boutique with Mr Perella and two other First Boston executives in 1988, has been running the firm on his own since then.

Mr Seegal, who worked at Lehman Brothers before joining Salomon in 1990, is a specialist in advising companies in the media, telecommunications and entertainment industries.

However, it is likely he has been hired as much for his management skills as for his experience in the advisory and financing business. He will share management responsibility with Mr Wasserstein. Mr Gary Parr, head of the financial institutions business, is the firm's other co-president.

Mr Seegal arrives at a crucial juncture for Wasserstein Perella, which has seen its position in the highly-competitive M&A business slip badly.

March proves the cruellest month for IPOs

US investors are more selective about which offerings they buy, says **Patrick Harverson**

March has not been kind to the US market for initial public offerings of stock (IPOs). First, Northwest Airlines shook Wall Street by slashing the asking price on its planned $400m public share issue, blaming weak investor demand for new stock. Then, a week later, the Federal Reserve raises short-term interest rates, the second monetary tightening in two months. For the booming IPO market, both events spell trouble.

Or do they? Northwest said it was lowering the price on its 20m-share IPO by almost a third because of the poor state of the market for stocks and new issues. A rise in interest rates is traditionally bad for companies trying to sell new stock, because higher rates tend to depress shares prices and make shares look less attractive, compared with other investments. However, the IPO market may be strong enough to withstand both developments.

Take the Northwest deal. Although it was not the first issue of the year to encounter problems, the sight of a large IPO in trouble unnerved Wall Street.

One investment banker said it should have worried the institutions which buy the bulk of IPOs. "Northwest was a big deal with big visibility. When they cut the price, it sent a loud message. If I were on the buy side, I would have to look at that and say: 'Whoa, what's going on here?' "

Yet airline industry analysts were quick to argue that the company was forced to perform emergency surgery on its IPO because of problems unique to the domestic airline business, and investment bankers were as quick to point out that the airline's failure to attract sufficient demand for its shares at the original asking price was not necessarily a reflection of a broader malaise in the IPO market.

They had a point. While volume has slipped from last year's record totals, the IPO market remains active. According to Securities Data, the US financial information group, $41.7bn worth of IPOs were completed in the US last year, at an average of 59 deals worth $3.47bn every month.

So far this year, the average number of deals per month is down only slightly at 54, while the average dollar value of deals is running at a still solid $2.6bn a month.

While IPO activity remains strong, conventional wisdom would suggest that the latest increase in interest rates will slow the market.

Not necessarily, judging by how well the market held up after the first rate increase on February 4. That monetary tightening rattled bond and stock markets badly, and throughout February stock market conditions steadily deteriorated to a point where the climate for IPOs appeared to be less favourable than it had been for more than a year.

After the Fed's rate increase, however, IPO volume actually rose, climbing from 33 deals worth $2.19bn in January, to 68 deals worth $2.93bn in February. IPO volume this month – 39 deals worth $2.72bn by March 22 – is running at a similar pace.

VOLUME OF IPOs COMPLETED IN US

1993	$m
January	1,742.6
February	2,272.6
March	3,442.6
April	2,083.2
May	3,148.0
June	5,630.6
July	2,469.6
August	3,886.6
September	2,820.9
October	4,003.8
November	4,134.2
December	5,855.0
1994	
January	2,019.6
February	2,932.2
March	*2,139.5

*up to March 22 Source: Securities Data

Moreover, the most worrying aspect of the February rate increase was the negative reaction it received in financial markets. But this latest tightening sent bond prices higher, not lower, as investors applauded the Fed's anti-inflation resolve.

Yet the skies above the IPO market are not entirely cloud-free. First, Wall Street is worried that if interest rates are on a long-term upward path, the flows of investor money into mutual funds will eventually reverse. Heavy demand for stock from mutual funds loaded with cash has been one of the main factors behind the long-running IPO boom, and without it, the IPO market would clearly struggle.

Second, there have been signs recently that investors have become more selective about which IPOs they buy, and any further increase in interest rates would only make them more cautious.

Mr David Komansky, head of debt and equity markets at Merrill Lynch, says: "For the past four or five weeks ... we've seen the IPO market become even more selective than before. There is still a very significant pipeline of deals, but I think this break in the market has caused a degree of uncertainty that will certainly make investors more quality conscious."

A banker from another big underwriting house concurs: "There is no question that the syndication process has got a little more difficult."

He believes the IPO market's immediate future depends on how quickly the bond and stock markets get over the interest rate increases. "Ultimately, the longer it takes to shake off the effects of the Fed's actions, the more skittish the buyer becomes and the more difficult it is to sell new product."

Ms Susan Hirsch, an analyst who tracks the performance of IPOs at Lehman Brothers, says there is no immediate cause for concern, but agrees that if long-term interest rates keep climbing, it could spell trouble. "If you get the long bond over 7 per cent, you start skirting with real problems."

Ms Hersch explains that most valuation models used by the growth-oriented investment institutions – traditionally big buyers of IPOs – are based on an assumption that the yield on the long bond stays at or below 7 per cent.

The long bond yield has risen from 6.2 per cent to more than 6.8 per cent since the Fed first raised rates, and if the yield climbs through 7 per cent, growth-oriented investors will start to look at different price-earnings models when judging whether to buy into IPOs. "It would have an effect on the IPO calendar for sure," she says.

For now, however, the outlook remains reasonably bright. The fact that the bond market took Tuesday's rate increases in its stride, and that the bond yield dropped below 6.9 per cent, suggested the recent sell-off of government securities may have run its course, at least for now.

Moreover, because uncertainty generated by a shaky bond market has made investors wary of committing fresh funds to equities lately, there has been a significant build-up of cash on the sidelines.

So, while investors are likely to be more selective about which IPOs they buy, interest rates would have to rise much higher than current levels before investors would start putting their cash into investments other than equities, which still provide the best returns available at the moment.

As Mr Komansky of Merrill Lynch says: "My own feeling is that there is a supply of mega-deals out there, and if the markets can accommodate them, dollar volume will be significantly higher than people expect. But the number of deals will certainly be down because of selectivity."

MasterCard gains ground on Visa

By Richard Waters in New York

MasterCard International made further inroads last year into the dominant market position of its bigger rival, Visa International, as the transaction volume handled by the payment system rose 28.1 per cent.

MasterCard's volume increase, to $320.6bn, was driven partly by its earlier entry into co-branded credit cards. Last week Visa reported a 16.9 per cent gain in volume last year, to $542.2bn.

The marked difference in the two organisations' growth rates means that, while Visa remains the leading international payment system, MasterCard's volume has risen to 59 per cent of its rival's, compared with 54 per cent the year before.

Speaking yesterday at MasterCard's annual meeting in New York, outgoing chairman Mr Pete Hart said the growth had come from a focus on providing better value to cardholders.

The battle for market share among credit-card companies in the 1990s has turned largely on the benefits for using cards, such as free air tickets.

In the US, which accounted last year for around 43 per cent of each group's volume, MasterCard volume rose to $139.1bn, a gain of 23.4 per cent, while Visa increased to $229.9bn, a rise of 18.2 per cent.

Mr Peter Dimsey, head of the US region, said MasterCard's operations there had been "revitalised" by its involvement in co-branding and developing point-of-sale debit cards.

Canadian power group ahead 5.1%

By Robert Gibbens

Hydro-Quebec, one of Canada's biggest electric power utilities, posted net profit of C$761m (US$567.9m) for 1993, up 5.1 per cent from 1992.

Favourable natural conditions, tighter cost control and lower interest rates helped the advance. The utility derives nearly all its power from hydro-generating sites.

Total electricity sales were up 5.2 per cent, mainly due to higher industrial demand and higher exports to the US while sales revenue rose 3.5 per cent to C$7bn.

Operating expenses, fuel, depreciation, amortisation and taxes were C$3.76bn, up 3.6 per cent, but operating expenses alone advanced 1.7 per cent.

Taxes plus debt guarantee fees totalled C$650m, up from C$594m in 1992.

Total investment was C$4bn, slightly lower than 1992. Most of the money went to the new generating capacity in the James Bay area.

No dividend will be paid.

Debenture holders' warning to Trizec

By Robert Gibbens

Senior debenture holders of Trizec, the biggest property company in the Edper-Hees group, have warned they will move quickly to take control if agreement on a recapitalisation package is not reached by March 31.

Mr Derek Tay, spokesman for the debenture holders, said Trizec's proposal to negotiate a C$600m (US$429m) third-party equity infusion by March 31 "does not look promising as a solution, based on what they have shown us".

Senior debtholders are owed C$1.2bn. If they quickly seized assets after March 31, junior debt holders and preferred and common shareholders would probably end up with nothing.

Trizec, hit by the property market collapse in North America, and with insufficient cashflow to service debt, said its primary aim was to have a recapitalisation plan accepted so the company could survive intact.

● Abitibi-Price, the North American pulp and paper group, plans to raise C$173.5m of new equity next month with a public issue of common stock at $17.35 a share.

The proceeds will go to urgent capital projects, debt refinancing and working capital.

The issue is being underwritten by a syndicate led by Nesbit Thomson and is not being registered in the US.

NTT links with Microsoft in software distribution venture

By Michiyo Nakamoto in Tokyo and Alan Cane in London

NTT, Japan's largest telecommunications carrier, and Microsoft, the world's leading software house, are co-operating in a novel method for the low-cost distribution of computer software.

Some observers believe the venture could result in the two companies eventually working closely on other aspects of multimedia, the delivery of a range of services to the office and the home through telecommunications channels.

A spokesperson for Microsoft, however, insisted that the arrangement was not an alliance and no agreements had been signed. The venture is limited only to Japan.

The software distribution system is designed to exploit NTT's telecommunications network and expertise in software encryption, together with Microsoft's software skills.

The idea is that Microsoft programs will be distributed cheaply on CD-Rom disks, which can be read by a suitably equipped personal computer. The information will be in an encrypted or coded form.

Part of the program, however, will not be coded and can be inspected by a prospective customer. If the customer is satisfied with the program, they will be able to license the entire software package by downloading a decryption key over the telephone network.

The plan is that NTT will profit from the use of its network, its encryption system and its payment collection methods, while Microsoft will benefit by distributing and licensing its software to a wider audience.

Eventually, the two companies hope to develop a system where customers will be able to download software of their choice directly through the network, rather like the "video-on-demand" services now being tested.

Gerstner to unveil IBM recovery plan

By Louise Kehoe in San Francisco

Mr Lou Gerstner, chairman and chief executive of International Business Machines, is expected to unveil his strategies to return the ailing computer company to profitable growth at a meeting with analysts in New York tomorrow.

For the past eight months IBM has been conducting a "thorough and detailed review" of its operations and Mr Gerstner is expected to discuss the preliminary results of that review.

Industry analysts are anticipating a frank discussion of IBM's problems and Mr Gerstner's plans to solve them but its executives are attempting to temper high expectations for his presentation.

"The only way he could exceed expectations is by ascending through the ceiling at the end of his presentation," joked Mr James Cannavino, IBM senior vice-president for strategy and development.

However, Mr Mark Stahlman of New Media Associates, a New York industry consulting group, said: "He should unveil a broad set of initiatives in both the businesses the company is currently addressing and some new business areas."

In particular, IBM watchers are anxious to hear how Mr Gerstner plans to address the problems of its shrinking mainframe computer business. Last year sales of IBM's mainframes declined by 27.6 per cent to $10bn.

Similarly, analysts anticipate some direction from Mr Gerstner on the company's storage products division, which has seen its sales decline by 18 per cent over the past year to $5.1bn.

IBM also needs to find ways to make its $9.7bn personal computer business more profitable and to boost earnings from its growing services business, which also recorded revenues of $9.7bn last year, an increase of 32 per cent.

The ailing computer company must also make decisions about investments in new semiconductor production, the core technology of its hardware products, and assigning research and development funds to new areas of potential growth.

Mr Gerstner is also expected to announce new initiatives to address the emerging market for broadband multimedia communications.

Yet the first public discussion of Mr Gerstner's strategic plans for IBM, since he joined the company almost 12 months ago, is certain to receive broad attention from its customers as well as industry analysts.

Volvo appoints new truck chief

By Hugh Carnegy in Stockholm

Volvo, Sweden's biggest manufacturer, yesterday appointed a new head for its truck division.

Mr Sten Langenius, who built Volvo into one of the world's top truck makers, is to step aside after 17 years and will be succeeded by Mr Karl-Erling Trogen. It is the latest move in a review of senior management, begun since it scrapped a plan to merge with France's Renault, which prompted the resignation of its long-time chairman Mr Pehr Gyllenhammar.

Mr Trogen, head of Volvo's US truck operation, was to have been in charge of truck operations in the ill-fated Renault-Volvo company.

Mr Langenius, soon to reach retirement, will remain a full-time executive at Volvo as vice-president, with responsibility for the smaller marine engine and aero engine divisions.

Another top Gyllenhammar executive, Mr Lennart Jeansson, was left without a clear function by the collapse of the merger plan. He had given up his position as head of the car division to Mr Per-Erik Mohlin in preparation to become finance chief of Renault-Volvo.

Mr Sören Gyll, chief executive, said management functions within Volvo were still under review.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 24.03.94: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.89	16.56	16.56
0100	15.62	16.75	16.75
0130	15.65	18.22	20.97
0200	16.63	18.22	20.97
0230	15.61	18.13	20.56
0300	15.61	18.13	20.39
0330	15.61	16.13	20.56
0400	10.95	16.68	16.68
0430	10.83	16.62	16.62
0500	10.82	16.56	16.56
0530	10.83	16.65	16.65
0600	10.89	16.65	16.65
0630	10.91	16.90	16.90
0700	15.66	16.69	21.44
0730	16.27	16.69	21.44
0800	16.75	16.70	21.45
0830	17.68	19.00	21.75
0900	19.25	19.05	21.82
0930	17.55	19.09	21.87
1000	19.25	19.11	21.89
1030	19.25	19.08	21.85
1100	19.25	19.07	21.84
1130	19.25	19.10	21.86
1200	19.25	19.14	21.94
1230	19.25	19.13	21.92
1300	19.25	18.80	21.58
1330	17.59	18.74	21.50
1400	16.27	16.71	21.47
1430	16.27	16.78	16.78
1500	16.27	16.78	16.78
1530	16.27	18.11	20.97
1600	15.75	18.75	21.52
1630	16.27	18.89	21.70
1700	17.58	20.48	23.43
1730	17.56	24.67	27.89
1800	17.57	26.05	29.55
1830	15.64	26.29	29.84
1900	17.81	23.16	26.49
1930	19.29	20.73	23.71
2000	19.28	19.90	22.72
2030	19.25	19.07	21.83
2100	19.25	19.08	21.81
2130	17.57	19.08	21.80
2200	15.73	16.74	18.74
2230	15.66	16.70	18.70
2300	10.87	16.61	16.61
2330	10.89	16.40	16.40
2400	10.80	16.40	16.40

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8.00am and 5.15pm Monday to Friday.

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Jardine Matheson lifts profits by 23% to $389m

By Louise Lucas in Hong Kong

Jardine Matheson, one of Hong Kong's oldest trading conglomerates, yesterday attempted to deflect attention away from its planned de-listing from Hong Kong to its 23 per cent rise in net profits to US$388.8m last year, up from $316.8m in 1992.

Mr Charles Powell, director, said yesterday: "Jardines will be judged not by where it is listed but by its results, and the results announced today are excellent."

Analysts fought shy of the term "excellent", saying the results, while stroog, were broadly in line with expectations.

Earnings were lifted by a strong performance at Jardine Fleming, the Hong Kong merchant banking joint venture between Jardine Matheson and Robert Fleming, the UK merchant bank.

On Tuesday, Jardine Fleming reported a 166 per cent leap in net profits to US$202m, half of which accrues to Jardine Matheson.

Jardine Fleming contributed a 26 per cent slice of total net profits, compared with 12 per cent in 1992. Conversely, the contribution from Jardine Pacific, the trading and services arm, slumped to 42 per cent from 50 per cent the previous year.

Mr Nigel Rich, managing director, attributed the fall to poor results from Japan and a disappointing performance on the shipping side.

Geographically, the biggest upturn came from south-east Asia, where net profits rose to $57.2m from $21.5m the previous year. Earnings from Hong Kong and China improved at e much more modest rate, up to $224.3m from $207.2m.

Mr Henry Keswick, chairman, said: "Jardine Matheson's particular strength is in the Asia-Pacific region, which remains the world's prime growth area, hut the group also has extensive investments elsewhere, which hold promise for the future."

Total turnover climbed by 7 per cent to $84bn, from $7.9bn the previous year. Fully diluted earnings per share rose hy 21 per cent to 66.31 cents from 54.59 cents. Net asset value per share increased by 34 per cent to $4.66.

The directors will recommend a dividend of 15.20 cents per share which gives a total payout of 22 cents. This represents an increase over 1992 of 18 per cent.

Wharf advances 33% in year

By Louise Lucas

Wharf (Holdings), the Hong Kong conglomerate controlled by the family of the late Sir Y.K. Pao, yesterday reported net profits for 1993 of HK$2.7bn (US$349m), up 33 per cent on the previous year's HK$2bn.

The earnings, which were hroadly in line with market expectations, included an exceptional item of HK$589.3m on the sale of investment properties and were fuelled by a combination of a swollen property bank and rising rental fees. Taken on a per share basis, earnings rose 30 per cent to 127.3 cents, compared with 97.8 cents in 1992.

Wharf's total asset base rose to HK$100.5bn, representing a year-on-year increase of HK$41.2bn. The net asset value per share rose 70 per cent to HK$36.37.

Some 75 per cent of profits came from the property side last year, and Mr Peter Woo, chairman, said new developments coming on line would fuel further growth this year.

Mr Woo said: "We are talking about 6m square feet of new space in Hong Kong of which profits have not accrued to previous financial reports and whicb has estimated future rental billings of close to HK$2.5bn. 1993 profits came in at HK$2.7bn, so with the three properties - Times Squares and Phases I and II of The Gateway - coming on stream, we are almost doubling the profit we are now ahle to generate, hased on present profit generating assets."

Of the remaining core businesses, about 21 per cent came from transport infrastructure, mainly terminals, and the balance was split between hotels and, to a lesser extent, investment income.

Mr Woo estimated Wharf Cable would be piped to 1.2m homes by the end of the year, at which time viewers will be able to tune into 20 channels.

Directors are proposing e dividend of 66 cents, for e total annual payout of 85 cents, an increase of 31 per cent over the 1992 dividend of 65 cents.

Malaysian group expands in Sabah

By Kieran Cooke in Kuala Lumpur

Mycom, the listed Malaysian gaming and property company, is moving into the timber business in the east Malaysian state of Sabah with the acquisition of UNP Plywood, one of the state's biggest timber operators.

Mycom will be paying M$350m (US$130m) for UNP through the issue of 70m new Mycom shares at M$5 each.

UNP has an extensive timber mill operation in Sabah and several thousand hectares of valuable timber concessions. Many big Malaysian companies bave announced plans to invest in Sabah following the recent transfer of power in the state to parties aligned to the ruling coalition headed by Dr Mahathir Mohamad, the Malaysian prime minister.

Mycom is rapidly expanding its activities. Earlier this year it announced that, along with Indonesian interests, it was taking a stake in Lamborghini, the Italian sports car manufacturer. Mycom had pre-tax profits of M$85m in the six months to end-1993.

Receivers called in to NZ meat processor

By Terry Hall in Wellington

Fortex, the New Zealand company credited with leading the way in the reform of the country's meat processing industry, was yesterday placed in receivership by a group of trading banks.

Talks abont the company's financial problems began last week, following a statement that the company expected to lose np to NZ$50m (US$28.5m) in the six months to February 28 because of intense competitive pressures in the meat industry.

The failure of the company is an embarrassment for the government, which had extolled the virtues of its having the latest plant and machinery, new marketing technology and cost-saving union agreements at its two plants.

Fortex had also been one of the darlings of the New Zealand Stock Exchange. The shares traded as high as NZ$2.65 in 1992 before falling to NZ$1.00 earlier this month and to only 6 cents at the close of trading last night.

Cathay Pacific to acquire 75% stake in Air HK

By Louise Lucas

Cathay Pacific Airways, the Hong Kong airline controlled by Swire Pacific, is to acquire a 75 per cent stake in Air Hong Kong, an air freight carrier based in the colony, from Shun Tak Holdings, the Macao jetfoil, property and restanrants group.

The purchase remains subject to a dne diligence review.

Cathay Pacific plans to run the business as a stand-alone operation, similar to the Dragonair model.

However, there will also be economies of scale in areas such as maintenance, marketing and route planning.

Air Hong Kong currently leases a fleet of three Boeing 747 freighters.

Wal-Mart to supply Japanese chain

By Frank McGurty in New York and Emiko Terazono in Tokyo

Wal-Mart, tbe leading US discount retailer, and Ito-Yokado, a large Japanese supermarket chain, beve reached an agreement under which Wal-Mart will supply its own-brand products to the Japanese retailer.

The move comes as an increasing number of Japanese retailers are diversifying product procurement, especially from overseas, due to the growing preference of consumers for cheaper discounted goods.

Such strategies among leading supermarket and discount chains are expected to prompt a further shift of retailing power from the national hrand manufacturers, which until recently have controlled retail prices of products, to retailers.

For Wal-Mart, the agreement to supply Ito-Yokado is the first of its kind, according to analysts, who say overseas markets represent a small hut increasingly important segment of tha company's business.

The deal highlights a wider trend in Japan. The country's old-fashioned distribution and retail system, which has been controlled hy manufacturers and wholesalers, is facing modernisation due to deregulation, and the rise of discount retailers and large supermarket chains which are creating their own production and procurement networks.

Aoyama Trading, a leading men's suits discounter, this week announced it would tie up with J.C. Penney, the US department store chain, to sell its casual wear in Japan, while Yaohan, the Japanese retail and distribution chain based in Hong Kong, will also market Wal-Mart's items in Asia.

Altbough the Ito-Yokado deal is one of Wal-Mart's first forays outside North America, the expansion-minded company has been active in Canada and Mexico over the past year.

The Arkansas-based retailer, which rang up total sales of $67bn in the year to January 31, recently announced an agreement to acquire 120 Woolco discount stores in Canada from Woolworth, giving the chain a strong footing north of the border in a single transaction.

In Mexico, Wal-Mart is opening a string of warehouse clubs and discount stores in a joint venture with Cifra, the country's largest retailer.

Mr Saul Yaari, managing director of Piper Jaffray, a Minneapolis securities house, downplayed the significance of tbe Jepanese deal and the extent to which Wal-Mart will pursue expansion and supply links with retailers outside North America.

"I assume they will dabble overseas, but their plate is full in the US," Mr Yaari sald, pointing out that the company was focusing on new "superstores" – combining groceries and general merchandise – in its domestic market.

A spokesman for Wal-Mart declined to comment on the Japanese agreement.

For its part, Ito-Yokado will provide Wal-Mart with its sophisticated point-of-sales technology, which helps efficient product and shelf management. The two companies are to develop jointly low-cost products and co-operate ln expanding sales networks in Asia and Europe.

Banking shake-out heralds new era

The former chief of the Bank of Tokyo talks to William Dawkins

Japan's banking system is on tbe threshold of a shake-out in which some weaker players will be forced to merge, but from which the larger ones could emerge strengthened.

That is the assessment of one of the industry's most experienced operators, Mr Yusuke Kashiwagi, 76-year-old senior adviser and former chairman of the Bank of Tokyo. The banking system is only just beginning to face up to the lessons of the collapse of the sharp rise in property and share prices of the late-1980s, fuelled by its own intemperate lending, he says.

The largest banks will in the next few years complete their retrenchment. On the back of a recovery in the Japanese economy, they will relaunch themselves as big international competitors, says Mr Kashiwagi, defying tbe gloomier commentators.

"Over the next 10 years, the Japanese economy will be a good performer. Labour will be available and productivity will go up. There will be plenty of savings, interest rates will rise, inflation will be low, which means we will have a strong currency. We will have growth with stability and this means that Japanese banks will once more go into international husiness in a big way," be explains.

A related development will be the continned gradual breakdown of the Japanese banking industry's uniquely segmented structure, Mr Kashiwagi predicts.

Larger banks appear to be well on the way to running down the bad debts inherited from the 1980s bubble, but this is not so for the smaller regional institutions and agricultural co-operative banks.

"We financed the bubble. Maybe it could have been evoided," says Mr Kashiwagi.

"One culprit was the tremendous competition in the banking system, which meant we were not as careful as we should have been in screening loan applications."

Most banks are still struggling with the problem of providing for tha bad assets inherited from the bubble days, though the Bank of Tokyo was less affected than most, if only because it was too husy tackling bad sovereign loans made to developing countries to get drawn into the lending rush.

As part of this, most Japanese banks are now working hard to slim costs, through staff reductions and organisation changes. The big danger, Mr Kashiwagi warns, is that banks will be lulled by Japan's low interest rates into restructuring less toughly than they should. Falling rates reduce the cost of carrying bad loans. "This is an opportunity and one must be sure to benefit from it, not to dissipate the gains," he says.

Yusuke Kashiwagi: 'Large banks may be strengthened'

Australian group pulls out of NZ

By Nikki Tait in Sydney

Mayne Nickless, the Australian transport and healthcare group, is selling its 50 per cent interest in Freightways Gronp, the New Zealand-based transport venture, in a deal thonght to be worth around A$40m (US$28.4m). The buyer is Freightways Holdings, the other half-owner of the company.

Mayne did not put a price on the deal but said the total consideration was "slightly in excess of the company's investment". In its last accounts, at mid-1993, the book value was A$37.2m.

Freightways Group takes in 15 separate businesses including transportation operations New Zealand Couriers and Poste Haste, and the Armourguard Security, armoured transport business.

The sale means the Australian company will have withdrawn from the New Zealand market, where it has been e force since the 1930s. Mayne stressed thet tbis was not because of dissatisfaction with Freightways' performance, but reflected a desire to concentrate on markets with "greater growth potential".

INTERNATIONAL CAPITAL MARKETS

Money supply speculation sends bunds into tail-spin

By Antonia Sharpe in London and Frank McGurty in New York

Wild rumours that German M3 numbers for February would show an annualised increase of 30 per cent sent government bonds there into a tail-spin yesterday, dragging other European markets with them. The figures are due to be published today or tomorrow.

GOVERNMENT BONDS

The bund market got off to a shaky start following articles in two German nswspapers suggesting that market expectations of an annualised rate of around 15 per cent for German M3 were too optimistic. They said the figure was more likely to be between 17 and 20 per cent.

Bunds then drew some temporary comfort from the Bundesbank's widely-expected decision to reduce the repo rate by eight basis points to 5.8 per cent, and from the publication of reasonable inflation data for the month to mid-March from North Rhine-Westphalia and Baden Württemberg.

However, towards the late afternoon market fears of another poor M3 number weighed heavily on prices. The June bund future on Liffe fell from the day's best level of 97.05 to trade at 96.26, down 0.24 points on the day but off the day's low of 96.18.

Analysts say they would prefer to see an outlandish figure, because this would make a laughing stock of the Bundesbank's policy of targeting medium-term money supply.

"In s way, 30 per cent would be less severe than 18 per cent . . . because it would hail the death of M3 as a target," said Mr Klaus Baader, senior international economist at Lehman Brothers in London.

However, he said a number above 16 per cent would damage the market, since it would cast serious doubt on the Bundesbank's assertions of tax-related special factors to explain the poor numbers in January.

Mr Julian Callow, European economist at Kleinwort Benson, said a number higher than last month's 21.2 per cent would also damage the market's fragile confidence.

■ The publication of disappointing inflation data for February depressed UK government bonds yesterday morning.

The larger than expected rise dampened hopes of an early cut in interest rates, dealers said.

The June long gilt future on Liffe fell $\frac{11}{32}$ on the day to 109$\frac{5}{32}$ after an intra-day high of 110$\frac{11}{32}$ and a low of 108$\frac{29}{32}$.

Gilt prices then fell further in the afternoon as anxiety spilled over from continental Europe. However, activity was fairly limited.

■ French government bonds performed slightly better than their European neighbours', buoyed by hopes of a cut in the intervention rate by the Bank of France today. Some analysts were forecasting a cut of between 10 and 15 basis points in the rate, whicb currently stands at 6.10 per cent.

However, others said a widening in yields and a weakening in the French currency, which reflected investor fears on industrial action, gave the Bank of France little scope to cut rates.

The June contract on the French 10-year notional bond on the Matif eased 0.2 points to 123.92, in the middle of the day's trading range of 124.14 to 123.84.

■ Uncertainty over the outcome of this weekend's general election kept Italian government bonds on tenterhooks. Traders reported that a private poll suggested the two big groups on the left and the right were likely to catch an equal amount of votes, which would effectively create a stalemate.

The June Italian government bond future on Liffe traded slightly higher in the late afternoon, standing 0.10 points up at 110.39, but off the day's best level of 111.14.

■ US Treasury bonds held steady yesterday morning as traders adjusted their positions following the Federal Reserve's move to tighten monetary policy.

By midday, the benchmark 30-year government bond was $\frac{1}{8}$ ahead at 92½, with the yield slipping to 6.84 per cent. At the short end, the two-year note was unchanged at 100$\frac{1}{32}$, to yield 5.009 per cent.

The implications of the Fed's new policy dominated the morning's activity. Trading was subdued in the aftermath of Tuesday's increase in the key Fed Funds rate by 25 basis points to 3.50 per cent.

The central bank's decision to lift the Fed Funds target to the higher level was confirmed in mid-morning, when it allowed the market's prevailing rate to stand at 3.50 per cent.

The day's economic news, although appearing to be favourable, elicited little response from a market cooling down rapidly from Tuesday's heated session. The Commerce Department said orders of durable goods last month slumped 2.5 per cent, against expectations of a half-point decline.

Most of the big drop, however, was attributed to flagging orders of aircraft, limiting the impression of a significant slowdown in economic growth and a concurrent easing of inflationary pressures.

In the afternoon, the market was facing a Treasury auction of $11bn in new five-year notes. The outlook for the sale was positive, following the success of Tuesday's sale of a $17bn two-year issue.

Simex settles in to niche market

The Singapore exchange has renewed links with the CME, writes Laurie Morse

The advent of global electronic futures trading, the growth of Japanese derivatives exchanges, and the ballooning over-the-counter market in Asian securities has done little to dent the success of the Singapore International Monetary Exchange (Simex).

Last week Simex, conceived 10 years ago as a vehicle for the Chicago Mercantile Exchange to deliver financial futures contracts to the Asian time zone, renewed its partnership with the CME and won the rights to trade futures on a prized Japanese stock index.

At the same time, Simex officials are negotiating a co-operative trading arrangement for crude oil futures and options with London's International Petroleum Exchange, and are in talks with other derivatives exchanges in Europe and North America to share Simex's trading window into Asia.

Simex was the first financial futures exchange in Asia, the first Asian exchange to trade energy derivatives, the first exchange in the world to trade Japanese stock index futures, and the only exchange to agree that trades made on its floor could be offset on another exchange in a different time zone.

This last arrangement, called mutual offset, was renewed last week between the Simex and the CME for another five years. The fact that the arrangement survived despite the CME's aggressive backing of Globex, the international electronic futures trading system, provided proof that the open outcry method of trading is still preferred by many traders.

As part of the renewal agreement, Simex officials will support the entry of Globex terminals into Singapore. In Florida last week for the Futures Industry Association conference, Mrs Elizabeth Sam, Simex president, seemed little worried by the prospect of electronic competition. "We have learned from our own experience that the open outcry system is a better system," she said.

Although neither exchange releases statistics, industry sources estimate that 2.5m Eurodollar futures traded under the mutual offset pact between Simex and the CME last year. In 1993, Simex traded 15.7m contracts. Eurodollar futures, with a turnover of 5.5m, was its largest contract.

The Simex mutual offset arrangement generates far more volume for the CME than Globex. Recently, the CME decided to pump up its volume figures by counting Simsx mutual offsets. This msda Simex an important factor in the CME's struggle to hold its place as the world's second busiest futures exchange, behind the Liffe.

Simex's second-largest contract is the Japaness Nikkei 225 stock index future, with volume in Singapore growing at the expense of the Osaka Securities Exchange. Last year's poor stock market performance in Japan was blamed in part on suspected manipulation of the Nikkei 225 futures traded in Osaka. That forced higher margin and commission rates, making Singapore a cheaper place to trade.

French issuer braves unsettled conditions with Ecu deal

By Tracy Corrigan

Only a handful of deals emerged yesterday, as bond market conditions remain unsettled. Dealers said supply of new issues would remain thin until markets showed strong signs of consolidation at these levels.

INTERNATIONAL BONDS

Crédit Local de France, the French local government agency, launched the first Ecu bond offering for over a month, via Crédit Lyonnais.

The Ecu150m seven-year deal is priced to yield 8 basis points more than a comparable issue by the European Community, according to the lead manager. Other dealers, however, said the issue looked rather expensive compared with seven-year paper launched earlier this year.

There has bsen a slight pick-up of interest in Ecu bonds in the last week or so, causing real 10-year Ecu yields to tighten to 10 basis points below ths theoretical Ecu yield, according to traders. Having started the year at 25 basis points below, Ecu bonds then suffered a bout of weakness which left them trading flat to the theoretical yield.

Although the market is receiving soma support from the large amoumt of Ecu bonds maturing, dealers said many investors, especially institutions, were not reinvesting in Ecu bonds.

However, some retail investors are buying more Ecu bonds – with Ecu1bn maturing in April, this could spark further new issues.

In the lira sector, Deutsche Bank Finance launched a L500bn 10-year issue of zero-coupon bonds, priced at 42.15 to yield 9.02. Lead manager Deutsche Bank London said the yield was substantially higher than for most outstanding zero-coupon deals, which are trading at about 8.40 per cent. The deal was quoted at 42.15 bid, the same level as the re-offer price.

● Standard & Poor's has confirmed the AA– long-term credit rating of Bank of Nova Scotia, which had been placed on CreditWatch with negative implications in December.

● Japan Credit Rating Agency said it would assign a bbb rating to samurai bonds issued by the Republic of Turkey. The rating will affect a total Y485bn. The bonds were issued between Juns 24 1992, and March 1 1994.

JCR is also placing the Government of Turkey under credit monitor. Turkey's economic performance has deteriorated rapidly since the devaluation of the Turkish lira.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Banco Bamerindus do Brasil*‡	50	(a)	100.00	Apr.1995	undisc.	-	Paribas Capital Markets
CANADIAN DOLLARS							
Rabobank Nederland(b)	150	7.125	99.233R	Dec.1999	0.275R	+30 (5¾%-99)	Barclays de Zoete Wedd
FRENCH FRANCS							
Alcatel Alsthom(c)§	4.25bn	2.50	(c)	Jan.2004	2.80	-	Société Générale
ITALIAN LIRE							
Deutsche Bank Finance	500bn	zero	42.15R	May.2004	0.25R	-	Deutsche Bank London
ECUS							
Crédit Local de France	150	6.25	99.12R	Apr.2001	0.30R	-	Crédit Lyonnais
SWISS FRANCS							
Asfinag*	100	4.50	102.125	May.1999	-	-	Swiss Bank Corp.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Unlisted or private placement. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) 3-mth Libor +3⅛%. b) Short 1st coupon. c) Global institutional tranche of FFr5bn issue. Issue price: FFr800. Redemption price: FFr1098. Conv ratio: 1 for 1. Callable from 1/1/98 at yld of 5½% subject to share price trading at 110% of call price.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	114.3900	-0.300	7.18	7.13	6.88
Belgium		7.250	04/04	99.6300	-0.020	7.30	7.05	6.89
Canada *		8.500	08/04	92.8600	+0.580	7.52	7.40	6.83
Denmark		7.000	12/04	101.0700	-0.030	3.85	6.57	6.40
France	BTAN	8.000	05/98	107.2500	-0.130	5.76	5.70	5.42
	OAT	5.500	04/04	93.1500	+0.030	6.44	6.18	6.03
Germany		6.000	09/03	97.9600	+0.400	6.28	6.11	5.96
Italy		8.500	01/04	95.0700	+0.580	9.28†	9.10	8.72
Japan	No 119	4.800	06/99	105.7620	+0.090	3.50	3.49	3.23
	No 157	4.500	06/03	102.2690	+0.660	4.16	4.06	3.52
Netherlands		5.750	01/04	95.0800	-0.300	6.44	6.12	5.95
Spain		10.500	10/03	110.3500	-0.200	8.84	8.69	8.31
UK Gilts		6.000	08/99	98-21	-15/32	6.76	6.63	3.23
		8.750	11/04	95-12	-20/32	7.45	7.24	6.77
		9.000	10/08	112-09	-25/32	7.69	7.40	7.03
US Treasury *		5.875	02/04	96-01	+29/32	6.42	6.41	6.08
		6.250	08/23	92-17	+40/32	6.84	6.85	6.61
ECU (French Govt)		6.000	04/04	93.8600	+0.140	6.86	6.58	6.35

London closing, *New York mid-day. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents). Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
Prime rate	0	One month	3.48	Two year	5.03
Broker loan rate	5	Two month	3.61	Three year	5.35
Fed.funds	3½	Three month	3.56	Five year	5.91
Fed.funds at intervention	-	Six month	3.91	10-year	6.48
		One year	4.30	30-year	6.85

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	124.78	124.60	+0.32	125.00	124.46	24,549	50,905
Jun	124.22	124.12	+0.34	124.52	123.84	232,987	145,522
Sep	123.54	123.40	+0.34	123.55	123.40	1,922	11,626

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Apr	Calls Jun	Calls Sep	Puts Apr	Puts Jun	Puts Sep
123	-	-	2.20	0.19	1.01	-
124	0.71	-	1.62	0.46	1.39	2.16
125	0.26	1.03	-	1.11	1.89	-
126	0.07	0.66	0.87	1.94	2.51	-
127	0.02	0.38	0.60	-	3.22	-

Est. vol. total, Calls 31,506 Puts 82,859. Previous day's open int., Calls 374,256 Puts 281,298.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.96	96.24	-0.26	97.05	96.18	176787	193220
Sep		95.97	-0.27			0	5295

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9600	1.25	1.51	1.01	1.54
9650	1.00	1.30	1.26	1.83
9700	0.77	1.10	1.53	2.13

Est. vol. total, Calls 7936 Puts 8630. Previous day's open int., Calls 253962 Puts 220853

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	101.03	100.55	-0.27	101.04	100.55	271	2566

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	110.75	110.30	+0.01	111.14	110.20	46397	99208
Sep	110.20	109.90	+0.06	110.20	110.20	25	8

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11000	2.57	3.33	2.27	3.43
11050	2.32	3.10	2.52	3.70
11100	2.06	2.87	2.76	3.97

Est. vol. total, Calls 2590 Puts 4044. Previous day's open int., Calls 69636 Puts 60352

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	101.10	100.29	-0.16	101.10	100.26	49,160	101,745
Sep	-	99.98	-	-	-	-	-

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	111-20	110-00	-0-27	111-24	110-11	175	10942
Jun	110-12	109-02	-0-26	110-30	108-29	112247	181984
Sep		108-05	-0-27			0	107

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
109	1-56	2-10	1-52	3-00
110	1-26	1-48	2-22	3-38
111	1-02	1-26	2-62	4-10

Est. vol. total, Calls 5159 Puts 5635. Previous day's open int., Calls 78547 Puts 62076

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	117.18	117.08	+0.34	117.40	116.98	1,797	5,579
Jun	90.48	90.44	+0.32	90.62	90.32	2,753	5,465

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	109-13	109-11	-	-	-	10,800	17,695
Jun	108-16	109-12	-0-03	109-21	109-06	439,291	364,736
Sep	107-05	108-13	-0-06	108-23	108-11	2,314	40,899

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	110.43			110.43	110.11	1571	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Wed Mar 23	Day's change %	Tue Mar 22	Accrued interest	xd adj. ytd		Low coupon yield Mar 23	Mar 22	Yr. ago	Medium coupon yield Mar 23	Mar 22	Yr. ago	High coupon yield Mar 23	Mar 22	Yr. ago
1 Up to 5 years (23)	126.31	-0.20	126.57	2.02	2.38	5 yrs	6.76	6.66	6.72	6.98	6.91	6.97	7.13	7.02	7.15
2 5-15 years (24)	150.38	-0.43	151.03	1.64	3.75	15 yrs	7.48	7.42	7.84	7.59	7.52	8.25	7.88	7.79	8.48
3 Over 15 years (9)	169.20	-0.59	170.21	1.21	3.53	20 yrs	7.59	7.56	8.10	7.60	7.54	8.45	7.86	7.80	8.57
4 Irredeemables (6)	197.61	+0.30	197.02	3.07	1.47	Irred.†	7.67	7.60	8.48						
5 All stocks (62)	146.70	-0.39	147.27	1.73	3.24										

Index-linked							Inflation 5% Mar 23	Mar 22	Yr. ago	Inflation 10% Mar 23	Mar 22	Yr. ago
6 Up to 5 years (2)	186.47	-0.02	186.50	-0.14	2.53	Up to 5 yrs	2.82	2.75	2.37	1.86	1.93	1.46
7 Over 5 years (11)	180.11	-0.17	180.41	0.63	1.29	Over 5 yrs	3.40	3.37	3.44	3.21	3.21	3.25
8 All stocks (13)	179.86	-0.15	180.15	0.55	1.41							

Debentures and Loans						5 year yield Mar 23	Mar 22	Yr. ago	15 year yield Mar 23	Mar 22	Yr. ago	25 year yield Mar 23	Mar 22	Yr. ago
9 Debs & Loans (73)	138.36	+0.18	138.11	2.34	2.68	8.40	8.35	8.56	8.62	8.63	9.39	8.69	8.71	9.58

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Mar 23	Mar 22	Mar 21	Mar 18	Mar 17	Yr ago	High*	Low*
Govt. Secs. (UK)	98.82	99.05	98.82	98.72	99.55	96.60	107.60	96.65
Fixed Interest	119.94	119.76	119.45	120.14	120.96	112.27	133.87	112.94

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Mar 22	Mar 21	Mar 18	Mar 17	Mar 16
Gilt Edged bargains	97.5	91.5	96.7	89.0	99.7
5-day average	95.0	95.6	98.8	97.0	96.5

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on March 23

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1500	93	93¼	+⅝	7.11
AlbertaProvince 9¾ 96	800	106⅞	106⅞	+⅛	5.23
United Kingdom 7¼ 97	5500	104¼	104¾	+⅜	5.77
Volkswagen Intl Fin 7 03	1500	100⅞	101⅜	+¼	6.86
World Bank 0 15	2000	25⅝	27¼		6.28
ABBEY NATL TREASURY 0 03 £	1000	99⅞	100⅛	-⅛	8.02
Alliance Leics 11⅞ 97 £	100	112¼	112⅝	-⅛	6.91
[illegible]					

[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1993/94 High	1993/94 Low
Shorts (Lives up to Five Years)						
Exch 13½pc 1994	13.39	3.14	100$\frac{13}{16}$	-$\frac{1}{16}$	109$\frac{3}{4}$	100$\frac{13}{16}$
Treas. 10pc Ln. 1994‡‡	9.89	4.58	101$\frac{3}{16}$	—	105$\frac{15}{16}$	101$\frac{3}{16}$
Treas 11½pc 2001-4	9.80	7.55	121$\frac{3}{8}$	-⅞	129$\frac{13}{16}$	116⅝
Funding 3½pc '99-4	4.52	6.56	77$\frac{13}{16}$	-⅞	86$\frac{3}{8}$	67$\frac{13}{16}$
Conversion 9½pc 2004	8.33	7.08	114$\frac{1}{32}$	-⅝	125$\frac{13}{16}$	105⅝
Treas 6¾pc 2004‡‡	7.06	7.37	96$\frac{3}{32}$	-$\frac{13}{16}$	105$\frac{3}{8}$	94$\frac{13}{16}$
[illegible]						

Notes	(1)	Yield (2)	Price £	+ or –	1993/94 High	1993/94 Low
Index-Linked (b)						
Treas. 2pc '94 (102.9)	—	—	137½	—	137½	131⅝
2pc '96 (67.9)	1.73	2.08	199$\frac{5}{8}$	-$\frac{1}{16}$	204½	184$\frac{1}{2}$
4⅝pc '98‡‡ (135.6)	1.83	2.56	109$\frac{1}{32}$	—	113$\frac{3}{8}$	105$\frac{3}{8}$
[illegible]						

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

US subsidiaries were main growth area with 35% of operating profits

Bowthorpe 20% ahead to £51m

By Paul Taylor

Bowthorpe, the international electronic and electrical components group, yesterday reported a 20 per cent increase in 1993 pre-tax profits to £51.1m, slightly ahead of forecasts made in mid-December when the group announced a successful £64.4m rights issue.

The result, described by Mr John Westhead, chief executive, as "pleasing" given "the tough economic environment," compares with pre-tax profits of £42.7m in 1992.

Turnover grew by 26 per cent to £334m (£265m), including £9.3m from acquisitions and £27.3m attributed to translation gains.

The US produced 34 per cent (29 per cent) of group turnover, the UK accounted for an unchanged 31 per cent and continental Europe contributed 28 per cent (32 per cent). The fastest growing region for sales was Asia which generated turnover of £21m (£13m.)

Operating profits increased by 24 per cent to £52.5m (£42.3m) of which £2.1m came from 1993 acquisitions and £5.3m arose on translation.

The group's US subsidiaries were the main area of growth, generating 35 per cent of overall operating profits, compared with 31 per cent.

Most of the profit growth came from the electronics segment with operating profits of £34.4m (£26.3m) helped by profits growth in the European terminals market and by strong gains in the US computer and medical markets for electro-ceramics businesses.

The electrical businesses also reported a 13 per cent increase in operating profits to £18.1m (£16m) with a broadly based recovery in the US offsetting the sharp reduction in demand experienced by the European cable care operations.

Profits were reduced by net interest costs of £1.44m (£381,000 received). Bowthorpe ended the year with net borrowings of £41.5m, equivalent to gearing of 54 per cent, after capital expenditure of £22.7m (£19.6m) and acquisitions totalling £39.6m of which £32.5m was paid in cash.

Earnings per share increased by 18 per cent to 18.18p (15.36p) helped by a reduced effective rate of taxation of 32 per cent (35.5 per cent). As forecast, a final dividend of 5.03p (4.57p) is proposed for a total up 8.6 per cent at 6.91p (6.36p.)

● **COMMENT**

Despite less than ideal market conditions around the globe Bowthorpe continues to deliver underlying profit growth. The rights issue proceeds will enable the group to pursue its successful strategy of building global niche businesses, and perhaps to expand further in the fast growing Asian market. This year pre-tax profits of about £59m are likely although earnings are expected to be flat, held back by the dilutive effects of the rights issue and a more normal tax charge of about 35 per cent. The shares slipped 3p to 847p yesterday and are trading on a forward multiple of around 19.2 but could go higher.

UK retailing operation proves to be an uphill struggle for Kingfisher

By Peggy Hollinger

The high street proved to be an uphill struggle for Kingfisher last year, as it revealed lower than expected profits from most of its UK retail divisions in its results yesterday.

The most severe difficulties were encountered at Woolworths, which recently saw the departure of its managing director.

"The simple fact is that after a very good first half in toys, Woolworths overbought," said Sir Geoffrey Mulcahy, chairman.

The division was forced to cut prices substantially to get rid of stock.

Woolworths was further hit by an unexpected collapse in the video consoles and games market, which forced a profits warning from both Kingfisher and its rival, Dixons, earlier this year.

Although he would not quantify the extent of the damage inflicted by these events, Sir Geoffrey said it was substantially greater than the £3.3m decline in profits to £74.5m. Sales were 7 per cent higher at £1.3bn.

Sir Geoffrey stressed that other lines that Woolworths offered were up to expectations. "Excluding toys and games, gross profit rose by 10 per cent in the second half," he said.

Trevor Humphries

Sir Geoffrey Mulcahy: fall at Superdrug due to a shift in focus

Superdrug also had a difficult year, with operating profit falling by 9.5 per cent to £31.5m. However, sales were 5 per cent up at £617m, with a 2.5 per cent increase in comparable turnover.

Sir Geoffrey attributed the profits decline to disruption caused by a shift in focus. In future the division would concentrate on personal care products, moving away from household and grocery ranges.

B&Q, the Do-It-Yourself retailer, did better, with profits rising from £81.1m to £82m, on sales 10 per cent higher at £1.15bn. Like-for-like sales were 4 per cent ahead. Sir Geoffrey said the improvement at B&Q proved Kingfisher's strategy of every day low prices was working.

Darty, the French electricals retailer acquired last year for £1bn, had proved resilient in a difficult market, Sir Geoffrey said. Sales for the relevant eight months were down by 2.7 per cent to £894m, and operating profits 6 per cent lower at £79.2m. However, the sales performance compared well with the overall decline of 4.3 per cent in the French electricals market, Sir Geoffrey said.

Comet's profits fell by 7 per cent to £16.4m on sales 6 per cent higher at £526m. A sharp fall in sales in the second half held back the like-for-like advance to 0.7 per cent.

Britannic Assurance rises 13.6% to £27.9m

By Andrew Jack

Britannic Assurance, the life assurance company, yesterday reported pre-tax profits up 13.6 per cent to £27.9m in the year to December 31.

Earnings per share rose 14 per cent to 14.4p, against 12.64p in 1992 after an adjustment for a capitalisation issue.

Mr Brian Shaw, general manager and actuary, said: "We think it was a further steady, sound year for Britannic. We were regarded as rather conservative a few years ago for sticking to our core business. That is now regarded as a rather sensible strategy."

The company said it had made a provision within its reserves to cover any compensation that might arise as a result of the Securities and Investments Board's review of the sale of personal pensions. Mr Shaw said the sum was not going to be material to profits or shareholders.

Net premium income was £468m (£417m), including £126m (£123m) contributed by the company's Industrial branch. General branch premium income rose to £34.8m (£30.5m).

Life annual premiums were £58.4m (£53.8m) and single premiums were £51m (£32.7m). Pensions annual premiums were £37.6m (£33.4m), single premiums £76.6m (£73.3m) and contracted out rebates £83.6m (£70.6m).

General branch pre-tax profits were £1.1m last year, compared with a loss of £414,000 in 1992.

The underwriting division reported losses of £2.2m (£3.7m deficit). This included a loss of £1.4m (£2.8m loss) from property, of £815,000 (£1.1m loss) from motor, and a loss of £245,000 (£227,000 profit) from liability policies.

Mr Shaw said that Britannic withdrew about 18 months ago from commercial insurance.

The net dividend was up nearly 13 per cent to 12.6p.

The tax charge fell 12 per cent to £774,000. The company made a £500,000 transfer to its claims equalisation provision.

The shares fell 5p to 455p.

Exceptionals conceal growth at Lex Service

By Paul Taylor

Lex Service, the UK's largest car distribution and leasing group, yesterday reported pre-tax profits of £101.6m for 1993 compared with £107m the previous year.

The figures for the past year were boosted by a £60.1m profit on the sale of Arrow Electronics shares and by a "fifth" quarter of profits amounting to £2.6m from the leasing associates which changed their year ends from October to December.

Excluding distorting exceptional items in both years profits increased by 36 per cent to £38.5m (£28.3m). Turnover grew by 29 per cent to £1.18bn (£910.7m).

Sir Trevor Chinn, chairman and chief executive, said this underlying profit improvement reflected the encouraging growth in the UK car and truck markets. "Our businesses improved their profits substantially through increased market shares and continued tight control of costs," he said.

Earnings per share slipped to 88.5p (96.7p) but an increased final dividend of 7.8p (6.6p) is recommended, making a 12.5p (10.6p) total. The shares closed down 6p at 524p yesterday.

The group's expanded 127 car and truck dealerships, representing over 30 manufacturers, sold 64,000 new and 30,000 used vehicles last year, increases of 30 per cent and 22 per cent respectively.

Trading profit, including an £800,000 contribution from the Arlington dealerships acquired in July, was £18.8m (£11.4m) reflecting the increased market share, improved operations and the full year contribution of the Swan dealerships acquired in 1992.

Lex Vehicle Leasing, Transfleet and Harvey, which are jointly owned with Lombard North Central, all increased their fleet sizes. This, combined with the benefits of the operational improvement implemented over the past two years, led all to all three achieving record profits.

Together the three companies and Lex Systems Leasing contributed £19m to Lex for the 12 months to December 1993, compared with £9.8m for the corresponding period in 1992.

Net interest costs were reduced from £4.3m to £2.2m and year end net borrowings stood at £14m (£9m).

The group also announced the appointment of Mr Peter Harris as finance director.

● **COMMENT**

Over the past three years Lex has made considerable progress towards its twin goals of expanding the scale of the company and improving its operational performance. The group's strong balance sheet provides the flexibility for further acquisitions, and developing existing operations like the Lucas Autocentres. Pre-tax profits of about £48m are expected this year – excluding £7m from the sale of the final tranche of Arrow shares in January. Earnings, before exceptionals, should be around 32p and the shares are trading on a prospective p/e of 16.4.

Dagenham Motors recovers to £2.35m and seeks £9.9m

By Kevin Done, Motor Industry Correspondent

Dagenham Motors, the south-east of England Ford dealer group, is raising £9.9m through a 2-for-5 rights issue, its first share issue since the company was floated in 1988.

The group increased its pre-tax profits by 58 per cent to £2.35m (£1.48m) for the year to December 31 ending four years of decline. Before the recession profits peaked at £4m in 1988.

The dividend is being raised to 6.25p per share (5.75p) with a recommended final of 4.5p. Earnings per share came out at 8.7p, compared with 5.6p.

The company is issuing 6.77m new shares at 153p per share. The shares closed yesterday unchanged at 193p. The issue will be underwritten by Samuel Montagu.

Mr David Philip, chairman and managing director, said that profits in the first two months of 1994 were substantially ahead of the corresponding period helped by the continuing strong recovery in the UK new vehicle market.

New car sales rose by 19 per cent, used car sales by 27 per cent and new commercial vehicle sales by 32 per cent in the first two months.

Group turnover for 1993 rose by 20 per cent to £187.3m (£155.9m). The figures were supported by an 11 per cent rise in new car sales to 8,580, a 10 per cent increase in used car sales to 6,896 and a 56 per cent jump in sales of new commercial vehicles.

Dagenham Motors remains an exclusive Ford (cars and light commercial vehicles) and Iveco Ford (medium and heavy duty commercial vehicles) dealer group, but it is seeking to increase business in all-makes used car and after sales operations and in accident repair.

Mr Philip said that the rights issue would help to reduce gearing from 125 per cent to 45 per cent and would give "maximum flexibility in our pursuit of acquisition opportunities".

It would also provide a sound base for "the anticipated strong growth in the group's existing operations", which include seven Ford new car dealerships and two Iveco Ford commercial vehicle outlets in south-east England.

The group was seeking additional Ford dealerships in or around the M25 circle, where it currently operated.

By exercising outstanding options Mr Philip is raising his stake in the group from 8.3 to 9.1 per cent. The biggest outside shareholder is 3i with 12.8 per cent.

Glaxo grants Wellcome option over 3TC drug

By David Wighton

Glaxo has granted Wellcome an option to develop and market the compound 3TC, which is in final clinical trials, for treatment of the HIV virus.

Glaxo, which licensed the drug from BioChem Pharma of Canada in 1990, would continue clinical development of the compound for the treatment of hepatitis B.

Part of the current trials for HIV involve the use of 3TC in conjunction with Wellcome's anti-Aids drug Retrovir.

Glaxo said there was increasing evidence that such "combination therapy" was the most promising approach to HIV treatment and that the proposed arrangement would represent the most efficient way of bringing 3TC to market.

Wellcome is likely to decide whether to exercise the option after the trial results are available towards the end of this year.

This would trigger a further payment to Glaxo.

Once marketed, Wellcome would make royalty payments to Glaxo based on sales and Glaxo in turn would pay royalties to BioChem Pharma.

Glaxo has an 17 per cent stake in BioChem, a research-based pharmaceuticals company formed in 1986 which is quoted on the Montreal and Toronto stock exchanges and on Nasdaq.

14.4% take up CSC offer

By Simon Davies

The £73m public offer for Capital Shopping Centres, one of the largest flotations of 1994, has been only 14.4 per cent subscribed by the public. The remaining 85.6 per cent will be taken up by institutions.

The public offer for the regional shopping centre company was affected by adverse conditions in the stock market, but brokers argue that it was too aggressively priced. The shares were issued at a 13 per cent premium to asset value.

However, Mr Donald Gordon, chairman of TransAtlantic – the insurance and property group which retains a 75 per cent stake in CSC – said that CSC had achieved its objectives in the offer.

He said: "We have got a good share register, and hopefully not too many stags in the wings". He said CSC had always been marketed as a long-term institutional stock, and the only reason for the public offer was the "insistence of the Stock Exchange".

Robert Fleming, the lead sponsor, placed 65 per cent of the £209m offer with institutions, and the remaining 35 per cent was placed subject to clawback for the public offer. The public have taken up 4.58m shares, out of the available 31.85m.

Mr Gordon said that the total offer had been over-subscribed by institutions and that these would remain committed to the company, despite the reaction of the public. "I think we priced it dead right", he said.

Few have argued about the quality of the company, which has a unique and defensive property portfolio, but a number of institutions suggested the shares were expensive.

At the time the offer was first announced, the property sector was trading at an average premium to asset value of about 20 per cent. According to Warburg Securities, the premium has now narrowed to 5 per cent.

Some brokers have suggested that the shares could trade at about 210p, compared with the issue price of 230p, after dealings begin next Wednesday.

BMW begins creating new management links with Rover

By Kevin Done, Motor Industry Correspondent

Mr Bernd Pischetsrieder, chairman of the BMW management board, has taken over as chairman of the board of Rover Group, following the completion last week of the German carmaker's £800m takeover of the UK vehicle producer.

Mr John Towers, previously Rover group managing director, has been appointed chief executive.

The company said the remaining Rover directors had all been confirmed in their positions. Mr Pischetsrieder said BMW was committed to maintaining Rover as a separately managed British company.

Mr Wolfgang Reitzle, BMW research and development director, said in an interview that BMW intended to set up joint committees between the two groups in the key areas of research and development, sales and purchasing.

Initially the most intense discussions have taken place over Rover's long-term product plan with key decisions to be taken over a replacement strategy both for Rover's Mini and its 800 executive car.

BMW is also preparing for its negotiations with Honda over changes the Japanese carmaker is seeking in the terms and conditions of its various licensing deals with Rover.

Mr Reitzle said that BMW was still interested in long-term collaboration with Honda for key components for front-wheel drive cars.

"At BMW we do not have frontwheel drive components, and it would be very expensive for Rover to develop these on its own," he said.

IN BRIEF

REGAL HOTEL GROUP, commercially driven 3 star hotel operator, has acquired the 92 bedroomed Cumbrian Hotel which it previously operated under a management contract. Cumbrian's turnover in 1993 was around £1m.

SIMON ENGINEERING is selling Parabo, a New Mexico-based oil field waste disposal business for $2.5m (£1.71m) to Mr James E Blackwell and Mr Benjamin M Butler, operators in the US oil industry. This brings to £21m the total raised from the sale of the chemical services operations.

TOREX HIRE has acquired the Truro business of Handihire for £100,000 cash, bringing the number of its branches in Cornwall to five.

WHITECROFT has sold two properties in the south east of England for £1.72m cash. The value of property awaiting disposal in the balance sheet at March 31 was £14.4m and this figure has now fallen to £6.5m. The transactions – further steps towards complete withdrawal from property development – have reduced borrowings and showed a small surplus over book value.

WORTH INVESTMENT Trust is selling its interest in Seguin Moreau for FFr17.9m (£2.1m). This gives rise to a reduction of £800,000 in the value of the investment and reduces the net asset value from 24.85p to 22.29p at March 16.

JAMES SMITH ESTATES: Under the open offer to raise £12.3m net, 10.27m new ordinary shares were placed with institutional investors. Shares were offered to qualifying holders at 125p. Holders applied for 2.46m shares (24 per cent of the issue) and remainder taken up in accordance with the placing arrangements.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aspen Comms §	fin	2.9	June 17	2.9	4.9	4.9
Barr & Wallace	fin	8	July 4	7	11	10
Barratt Devs	int	2	May 27	1	-	4
BB&EA	int	2.5	May 12	2.5	-	8
Bowthorpe	fin	5.03†	July 4	4.57	6.91	6.36
Britannic Assur	fin	8.75	May 19	7.73*	12.8	11.17
Burn Stewart	int	1.7	May 19	1.7	-	5
BZW Conv	int	1.5‡	Apr 18	1.5	-	7.8
Canning (W)	fin	4.35	July 1	4.35	7.29	7.29
Clinton Cards	fin	3.11	-	2.75	4.71	4.25
Cooper (F)	int	0.8	July 1	0.7	-	2.2
Dagenham Motors	fin	4.5	May 27	4	6.25	5.75
Devro Intl	fin	4.17	May 16	-	4.17	-
Kingfisher	fin	10.5†	July 5	8.5	14.9	13.7
Lasmo	fin	nil	-	1	1.3	3.3
Lex Service	fin	7.8	May 3	6.6	12.5	10.6
Matthews (B)	fin	1.4	-	1.25	2.5	2.25
More O'Ferrall	fin	10	May 18	10	13.2	13.2
NFC	int	1.4†	July 4	1.35	-	7
North Sea Assets	fin	1.1	-	1	1.1	1
Page (Michael)	fin	1.5	May 25	1.2	2.1	1.8
Premium Trust	int	0.25	May 18	-	-	-
Quality Software	fin	1.25	July 1	-	1.25	-
Ricardo	int	2	May 7	1.9	-	5.7
Richardson West	fin	1.9	-	1.75	3.2	3
Thornton Asian	fin	0.5	June 24	0.3	0.5	0.3
Town Centre	int	1.2	June 30	1.1	-	3.4
TT Group	fin	4†	May 27	3.6	6.6	6
UniChem	fin	4.3†	July 1	3.75	6.5	5.65
Wace	fin	2.5	-	nil	3.5	2.25
Weir	fin	4.575	June 17	4.15	6.5	5.9
Whatman	fin	6.9	May 6	8.4	10.2	9.5
Wood (Arthur)	fin	3	Apr 30	1.5	3	1.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Making 3p so far. *Adjusted for scrip issue.

PUBLIC WORKS LOAN BOARD RATES

Effective March 22

Years	Quota loans* EP†	AP††	Maturity§
1			5
Over 1 up to 2	5¼	5½	6
Over 2 up to 3	5⅝	5¾	6½
Over 3 up to 4	6⅛	5⅝	6⅝
Over 4 up to 5	6⅜	5⅝	7⅛
Over 5 up to 6	6½	5⅝	7⅜
Over 6 up to 7	6¾	5⅞	7⅝
Over 7 up to 8	6⅞	7	7¾
Over 8 up to 9	7⅛	7⅛	7⅞
Over 9 up to 10	7¼	7⅜	8
Over 10 up to 15	7¾	8	8⅛
Over 15 up to 25	8⅛	8⅛	8⅛
Over 25	8⅜	8¼	8¼

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

COMPANY NEWS: UK

Marketing campaign planned for this summer will involve four show villages

Barratt more than doubled to £11.3m

By Andrew Taylor, Construction Correspondent

The housing market recovery in the UK is gathering pace, with sales and prices expected to rise further in 1994 according to Sir Lawrie Barratt, chairman of Barratt Developments which more than doubled pre-tax profits from £4.8m to £11.3m in the six months to end-December.

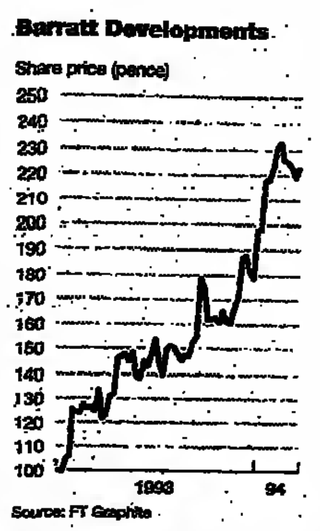
Earnings per share increased from 2p to 4.4p, enabling Barratt to increase its interim dividend to 2p (1p).

Turnover rose by 25 per cent to £218.2m (£174m).

Sir Lawrie also announced the group's biggest marketing campaign, which will take place this summer and include the construction of four separate show villages to take advantage of the recovery and launch the company's naw range of designs.

The Barratt chairman came out of retirement three years ago after the group began to incur heavy losses. He said yesterday that the group was on course to achieve its target of increasing production from 5,000 to 8,000 homes a year hy June 1996.

Sir Lawrie will become non-executive chairman from the beginning of August. Mr Frank Eaton, chief executive, said the company was in good shape to finance its expansion with net debt of only £53.4m, including off-balance sheet loans, representing gearing of 27 per cent.



He expected sales hy UK housebuilders to rise by about 10 per cent in 1994 with UK house prices rising by 7 per cent and up to 10 per cent in south-east England.

The group completed 2,302 UK sales in the half year, 14 per cent more than in the corresponding period. Operating margins rose from 6.3 per cent to 8.6 per cent.

The group said it had continued to buy land at prices which would provide satisfactory margins, acquiring 4,598 plots at an average price of £14,457 during the first half, equivalent to 19.9 per cent of the present average selling price of £72,500.

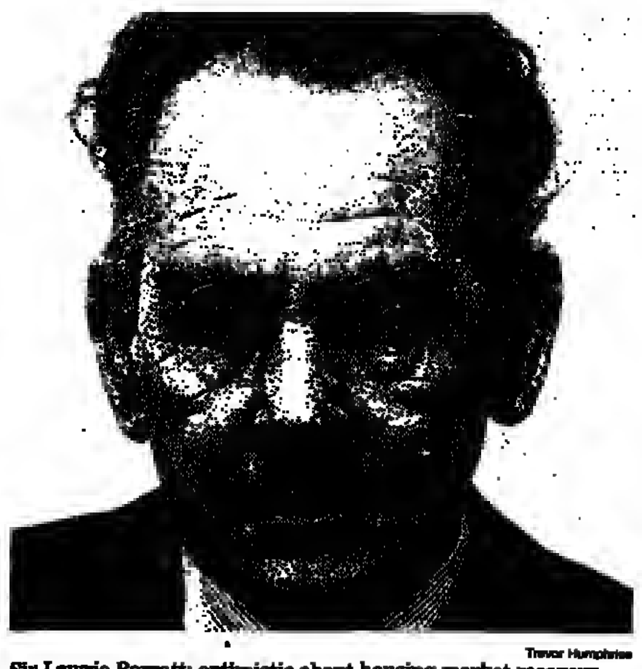
Total UK land holdings had risen by 11 per cent since last June to 15,079 plots representing 2½ years supply at current production rates.

The southern Californian housing market was expected to remain much more difficult although US losses had fallen hy 50 per cant to $700,000 (£480,000).

There was also a £300,000 loss on leisure and time-share activities. This was more than offset by profits from commercial property sales and the group's Scottish contracting operations.

● **COMMENT**

Frank Eaton deserves much of the credit for the turnround at Barratt. Good housekeeping in terms of reduced costs, shrewd land purchasing and Sir Lawrie's marketing skills has provided UK operating margins of about 11 per cent currently. This should rise further next year, putting the group at the top end of the range for a large national volume builder. On pre-tax profits of £33m this year the group is on a prospective p/e of 20, falling to 14 times earnings of £50m in 1994-95. On this basis much of the stock's virtue is already in the price but still worth a buy if only because Barratt historically has performed well during an upturn.



Trevor Humphries

Sir Lawrie Barratt: optimistic about housing market recovery

UniChem advances 27% in challenging markets

By David Wighton

UniChem, the pharmaceuticals wbolesaler and retailer, increased 1993 profits by 27 per cent to £37.5m, against £29.4m, despite the 2.5 per cent cut in drugs price imposed by the government in October.

Mr Jeff Harris, chief executive, described it as an "outstanding performance during a year of challenging market conditions".

In addition to the price cut UniChem faced intensified competition from rivals, notably Lloyds Chemists which is trying to build market share in wbolesaling.

However Mr Harris said UniChem was losing very little business and predicted that the "crazy" discounts being offered by competitors would not last much longer.

Turnover advanced 12 per cent to £1.18bn (£1.05bn), with pharmaceutical wholesaling showing like-for-like growth of more than 10 per cent in a market which grew by about 9 per cent. Operating profits rose by 17 per ceot to £40.1m, compared with £34.2m, and margins increased from 3.25 per cent to 3.4 per cent.

Earnings per share rose to 17.8p (13.7p) basic or 17.3p (13.4p) fully diluted. Dividends increased 15 per cent to 6.5p (5.65p) with a recommended final of 4.3p.

The market share gaio stemmed partly from large manufacturers cutting down on direct distribution and from the growth in sales to bospitals which, up 50 per ceot to £44m.

UniChem estimates that the market will grow by 10 per ceot this year, somewhat less than the Government's receot prediction.

The rapidly growing Moss Chemists retail chaio increased sales from £79.7m to £114m geoerating operating profits of £6.6m (£4.9m). Operating margins slipped from 6.1 per cent to 5.8 per cent and are expected to remain flat.

In November UniChem paid £8.9m for Bradford Chemists' Alliance, a regional wholesaler. Mr Harris said a oumber of the remaining regional wholesalers were interested in beiog acquired but added: "We will have to look at tbem but very few will be worth going for."

● **COMMENT**

These figures may indeed represent an "outstanding" performance in "challenging" conditions but it must be said that UniChem has a great deal going for it. Despite the Government price cut its market showed healthy growth which is likely to continue. Its 30 per cent market share gives it a huge advantage over the dwindling band of regiooals while the strong relationship betweeo wholesaler and chemist has blunted Lloyds' efforts to poach its customers. In wholesaling there are further gains to come from depot automatioo and in retailing there are oew opportunities as big selling prescription medicines are switched to over-the-counter. After a good run this year these strengths are better reflected in tbe share price wbich now stands at about 16.5 times prospective earnings.

W Canning falls to £2.2m but better year in prospect

By Paul Cheeseright, Midlands Correspondent

Pre-tax profits at W Canning, the Birmingham-based speciality chemicals and electronic components group, took their expected knock from a provision for bad debts and fell from £2.43m to £2.21m for 1993.

Last month Canning reported a £1.4m provision against an exposure of £1.9m at its Italian electrical components business and noted yesterday that the size of the debt "reflects the extended credit given to customers, which is normal business practice in Italy."

The effect meant a cot in attributable earniogs of £536,000, taking them down to £610,000 against £260,000 in 1992.

Basic earnings per share worked through at 2.2p (0.9p). However, adjusting for the exceptional and bad debt provisions adjusted aarnings emerged at 7.8p (7.2p). A maintained final dividend of 4.35p makes a same-again 7.29p total.

Mr David Probert, chairman, said be did not feel that a reduced dividend would be justified given the strength of the Canning balance sbeet and market prospects.

The difficulties in Italy obscured ao improvemeot in the group's performance last year. Sales in fact were lower at £109.31m (£114.03m) after the sale of the French company. However, profits before the debt provision and the exceptional item associated with that sale rose from £4.04m to £4.67m.

Trading during the first 10 weeks of the current year was described as "satlsfactory". Sales in and from the UK have increased, while the Frencb and German markets, which take balf of Canning's sales, have stopped declining. This year will be better than last, Mr Probert said.

Bernard Matthews: company remains well placed to make further acquisitions

Bernard Matthews tops £11m

By Peggy Hollinger

Bernard Matthews, the turkey products group which has been hit by weak prices in recent years, appears to be back in full flight with annual pre-tax profits rising sharply from £3.34m to £11.3m.

Sales were 35 per cent higher at £195m for the 52 weeks to January 2. Acquisitions contributed £28m of the sales increase, leaving continuing businesses 16 per cent ahead.

Mr Bernard Matthews, tha founder and chairman, said the improvement was largely due to a recovery in prices for whole turkeys and a greater focus on frozen and added value products, such as dinosaur shaped turkey meat.

"The market for whole birds improved significantly during 1993," said Mr Matthews. "We lost several million pounds on that in 1992 and have recovered from that in 1993."

Bernard Matthews had also decreased its dependence on whole birds from 18 per cent to 10 per cent of total sales through acquisitions and new products such as cooked meat.

The group suffered substantial start-up losses in France, where it has invested between £4m and £5m in advertising its frozen products. Mr Matthews said this business was now trading profitably, exclnding advertising costs. Germany was progressing and the group was "extending its distribution of value added products".

Mr Matthews said his company, which made two acquisitions last year, remained in an "aggressive mood". Further buys could not be ruled out.

Last year the company bought Hungary's leading turkey company for £2.5m and Turners Turkeys from Unigate for £18m. The purchases contributed £2.06m to total operating profit of £12.3m (£3.91m).

Debt rose from 9 per cent of shareholders' funds to 12 per cent as a result of the acquisitions. Mr Matthews said the company remained well placed for further acquisitions. However, he stressed any deals would be funded internally. "This company is not in the rights issue business," he said.

The final divideod is increased to 1.4p (1.25p) for a 2.5p (2.25p) total, payable from earnings up by 4.63p to 6.27p.

Lasmo sells Ninian interests on which company was based

By Robert Corzine

Lasmo, the independent oil exploration and prodnction company, yesterday did the corporate equivalent of selling off the family silver.

In a deal which saw the company sell its interests in the Ninian field to Sun Oil and Ranger Oil for £84m in cash and Suns's 20 per cent interest in the new Birch field, the management released the asset on which the company's fortnnes were founded.

The Ninian sale also marked the end of the disposal programme which followed its $1bo acquisition in 1992 of Ultramar, the event which analysts cite as being the start of the company's present troubles.

Mr Joe Darby, chief executive, yesterday said he was prepared for a negative reaction from some board members when he brought the sale before them.

It was Ninian's discovery in 1974 which transformed a venture capital company, formed in the early 1970s to look for oil at the start of the North Sea's exploration phase, into a fully fledged oil company. It was the cash flow from Ninian which allowed the company to expand, mainly through acquisition.

The board, however, thought the sale "was exactly the right thing to do," said Mr Darby. "Wa got excellent valne for a mature, high cost field."

The sale was the latest in a series of asset disposals the company has made recently to bolster a financial position that has been undermined by low oil prices.

Late last year it sold a package of assets, including a 5 per cent stake in its main development project, the Liverpool Bay gas field, to PowerGen for £123m.

However it has recently taken the Markham gas field off the market and Mr Darby said yesterday: "The bulk of tbe disposal of assets are over. Tbere may be some swaps . . . but I don't see any major asset disposals this year."

Analysts say the sale of Ninian symbolises Lasmo's strategy to shift its production away from high cost reserves. These have led to the company having a cost of sales per barrel of £8.15, compared witb present sterling oil prices of about £9.30.

Chevron, Ninian's operators, say there is scope for steady cost reductions in coming years and additional potential as technology enables companies to extract greater amounts of a reservoir.

Lasmo is in a hurry, however, to implement its new low cost strategy, which it says should reduce its operating costs per barrel to £3.70 this year, compared with £4.10 last year and £5 in 1991.

NEWS IN BRIEF

BARING PUMA FUND: Nat income in 1993 was $1.95m (£1.33m) and earnings per share 32.49 cents. Dividend 25 cents.

CIA GROUP: CIA Medianetwork, its European holding company, has established a joint venture subsldiary in Germany, CIA Medianetwork Deutschland, which will be owned 65 per cent by CIA Medianetwork and 35 per cent by Mediahaus Dusseldorf.

DALGETY is buying Jaeger Participations, a Freoch food ingredients husiness, for an undisclosed sum.

EDINBURGH OIL & Gas: some 2m units, representing 57.64 per cent of the recent placing and open offer, have been taken up or placed firm.

EFM JAVA TRUST: Name has heen changed to Edinhurgh Java Trust.

EXETER PREFERRED: Amended results for the period February 1 1993 to January 31 1994 show net profit £159,000 (£219,000), after tax of £73,000 (nil). The tax charge had erroneously been excluded in the earlier announcement. Earnings per share are 0.68p (0.94p) and revised dividend 0.68p (0.939p).

HARMONY PROPERTY Group is to sell for £2.25m in cash its freehold office property, Vale House, Tunbridge Wells, Kent. The property has a currently book value of £2.09m.

INSTINET CORPORATION, the electronic brokerage subsidiary of Renters Holdings, announced that its Swiss affiliate, Instinet (Schweiz), had joined the Zurich stock exchange.

SANDERSON Electronics has acquired the business and assets of Nord Group from the administrative receivers for £525,000 cash.

Redundancy costs halt 10-year run of increasing profits

Weir at £38m after exceptional

By Andrew Baxter

An unbroken 10-year run of rising pre-tax profits came to an end last year at Weir Group, but the Glasgow-based pumps and engineering products company is still lifting its dividend by 10 per cent from 5.9p to 6.5p.

On turnover up from £425m to £449m Weir announced pre-tax profits for the year to December 31 down from £39.2m to £37.5m. The latest figures reflect a £2.4m exceptional item for redundancy costs and a fall in interest and other income from £4.1m to £2.55m.

Earnings per share slipped from 17.7p to 17.3p, a little better than expected and partly because of the benefit of US tax rule changes. The final dividend is raised from 4.15p to 4.575p.

Mr Ron Garrick, chief executive, said he was "a wee bit disappointed" by the level of profit last year, but the company had managed a creditable performance in continuing difficult trading conditions.

He pointed, in particular, to intense pricing competition in large projects from state-owned Italian companies and Japanese competitors. Weir lost out on a big Abu Dhabi project when an Italian competitor dropped its price by 30 per cent to "create employment in Italy," said Mr Garrick.

Colin Beere

Ron Garrick: intense price competition had affected results

Excluding the exceptional item, Weir's profit margin slipped from 9.2 to 8.9 per cent, with a rise from 7.7 to 8.8 per cent in engineering services offset by a decline from 7.5 to 7.1 per cent in the much larger engineering products business.

New orders rose strongly, from £373m to £470m, helped by an £80m Qatar desalination plant order in December. Orders from the Indo-Pacific region nearly trebled to about £60m, and accounted for 13.5 per cent (6 per cent) of the total.

The UK share of orders, in contrast, fell from 45.4 to 34.8 per cent mainly because of a dearth of business in the water industry.

On the outlook for this year, Viscount Weir, the chairman, said there was "no reason why we should not continue to give a good account of ourselves, and again produce satisfactory results."

Mr Garrick said Weir was continuing to look for acquisitions following last year's £16m purchase of most of Darchem, which makes insulation systems and fabricated components.

● COMMENT

It had to happen sometime, but the drop in profits should merely interrupt the trend line rather than imply that Weir has gone ex-growth. No further exceptional items are expected this year, and if the company found no overall, strong and consistent revival in the market for capital goods last year, business did pick up in the second half and so far this year. Margins have slipped, but the company's competitive position remains strong, especially against European rivals. The strong showing in the Pacific Rim is encouraging and sustainable, and Weir's refusal to make continental European acquisitions just for the sake of it now seems fortuitous – in the short term at least, the US looks a better bet for takeovers. A modest rise in pre-tax profits, to £42m-£43m this year, would put the company on a prospective p/e of about 17.

Exports boost Whatman to £10.7m

By Simon Davies

Whatman, the manufacturer of filtration and purification products, yesterday reported 10 per cent growth in 1993 pre-tax profits, boosted by sales to Europe and Asia Pacific.

Profits were £10.7m, against £9.71m, restated for FRS 3. Earnings per share were 30.76p, against 27.79p and the directors are recommending a final dividend of 6.9p, making 10.2p (9.5p) for the year.

Whatman said the improving economic environment had been off-set by tougher competition, but steady growth was forecast.

Turnover increased 15 per cent to £72m (£62.6m). Excluding the impact of acquisitions and exchange rate changes, however, the underlying growth was a more modest 5 per cent. Profit margins, excluding currency movements, were stable, during the year.

Sales in 1993 were below initial forecasts, due to weaker demand from the US pharmaceuticals industry, and a reduction of inventory by UK distributors. There were stronger performances from new areas such as laboratory gas generators, and bioprocessing media.

Sales outside the UK and US increased from 25 per cent to 30 per cent of group turnover, and accounted for £21.9m of sales in 1993.

The US, however, accounted for about 57 per cent of sales. Whatman estimates that a 10 per cent movement from a dollar/sterling exchange rate of 1.6, has an estimated £1.5m impact on translated pre-tax profits.

Last year, Whatman acquired a 60 per cent stake in Biometra, a German company specialising in molecular biology, for £3.5m, and the company contributed £234,000 to profits.

Whatman also increased expenditure on research and development to 4.5 per cent (4.1 per cent) of sales revenue, reflecting its emphasis on technology.

● COMMENT

Whatman's management has succeeded in deflecting a slowdown in several core areas, through its expansion into new products. Further acquisitions are desirable, given low gearing and Whatman's emphasis on higher technology, but short-term growth will remain steady. On forecast 1993 earnings of £12.5m, the shares are trading on a p/e of 15.5. Given the current business outlook, this represents fair value.

More O'Ferrall hits £8m as UK market improves

By David Blackwell

More O'Ferrall, the hoardings and bus shelter advertising company, boosted pre-tax profits for 1993 from £220,000 to £7.8m on the back of an improved UK market.

Mr Brian Turnbull, finance director, said gains in the UK and Ireland reflected careful control of costs and the group's high level of operational gearing.

Operating profits from continuing operations were 16 per cent ahead, from £7.26m to £8.4m, on turnover of £67.6m. Last year's total turnover of £63.4m contained £1.83m from the discontinued US operation, which was sold in 1992.

Provision of £4.44m was made for the disposal, but in the event the loss was £3.69m, allowing £750,000 to be released to 1993 profits.

Operating profits in the UK and Ireland rose from £4.2m to £5.9m on turnover ahead from £38.5m to £43.6m.

Mr Russell Gore-Andrews, chairman, said the last quarter of the year had not been as buoyant as expected, suggesting that key drinks advertisers had spent £9m less than expected in the run-up to Christmas.

Following sterling's devaluation at the end of 1992, operating profits in sterling were static in France and ahead in Belgium, which each accounted for 17 per cent of total turnover. However, they were sharply lower in local currencies.

Mr Turnbull described the Belgian result as reasonable in spite of the recession. The group had acted early to cut costs in France as the recession worsened, and further cost cutting measures were in progress.

In Taiwan, which represents 2 per cent of the group's business, both turnover and operating profits were well ahead. Mr Gore-Andrews said the group was planning to continue to grow the business, and would be exploring the possible opportunities on mainland China.

Net interest payable fell from £1.96m to £1.39m, capital expenditure was down from £7.5m to £4.8m, and gearing fell from 25 per cent to 20 per cent at year-end.

Earnings per share were 16.5p, compared with a loss of 4p last time. An unchanged final dividend of 10p is proposed, giving an same-again 13.2p total.

● COMMENT

These results were in line with forecasts in spite of worse-than-expected figures from France and the poor fourth quarter in the UK. The group also did well to retrieve some of the anticipated cost of getting out of the lossmaking operations in the US. Operating margins are around 12 per cent – well below the group's potential. The group is well placed both to take advantage of any European recovery and to spread its wings from Taiwan to China. Pre-tax profits of around £10m for this year put it on a prospective multiple of 20 – a little high, but still worth a look.

Town Centre improves to £3.95m

By Simon Davies

Town Centre Securities, the Leeds-based property investment and development company, yesterday revealed pre-tax profits of £3.95m for the six months ended December 31 1993, compared with £3.65m.

The interim dividend has been increased by 9 per cent to 1.2p, up from 1.1p.

During the year the company bought the freeholds of two of its leasehold properties with the result that at the year end only £11m of its £193m property portfolio was long leasehold, compared with £64m previously.

There will be a marginal impact on short-term earnings, as a result of the cost of the acquisitions, but the strategy will strengthen the company's balance sheet.

During the interim period, gross rental income increased by 10.5 per cent from £8.91m to £9.84m, while interest charges increased marginally to £3.1m.

Mr Arnold Ziff, chairman, said that the company should "show further steady improvement in the next six months".

Earnings per share amounted to 2.68p, up from 2.4p.

Automotive side behind rise to £1.97m at Ricardo

By David Blackwell

Ricardo Group, the engineering consultancy, more than doubled pre-tax profits for the six months to end-December.

They rose from £875,000 to £1.97m on turnover of £30.1m. The previous turnover of £31.7m included £2.92m from the discontinued technical publications business.

The 1993 figures also showed a loss of £197,000 from the technical publishing division, sold in spring 1992, as well as interest payments of £54,000 from discontinued operations. The group also took a £650,000 exceptional property charge.

Stripping out the exceptional items leaves profit on continuing activities before tax for the first half up nearly 11 per cent from £1.78m to £1.97m.

Mr Christopher Ross, chief executive, attributed the rise to the continued strong performance of the automotive division, one of the top three in the world. This had won market share, although at some cost to margins. Its turnover rose from £10.9m to £14.1m.

Turnover in the nuclear-based high technology division also rose, from £5.6m to £6.4m. But the aerospace division's sales fell from £12.2m to £9.5m, reflecting the downturn in the world industry.

Net interest payable on continuing operations fell from £191,000 to £118,000, and gearing at the year end was under 4 per cent (20.2 per cent).

Earnings per share were up from 1p to 3.9p. The interim dividend has been raised from 1.9p to 2p.

Mr Ross said the prospects for this year were good. The group had launched a limited slip differential gear, aimed at the family car and patented worldwide. "We now have to turn a technical success into a commercial success."

Earlier this week Ricardo added a further division with the acquisition for $2.26m (£1.54m) of Airflow Sciences Corporation, a Detroit-based company that looks at fluid flow and heat transfer problems. "It has few competitors and is a science we can already understand and manage," said Mr Ross.

Arthur Wood rises to £119,000

Arthur Wood & Son (Longport), maker of earthenware, beakers and terracotta teapots, reported pre-tax profits up from £76,882 to £119,134 for the year to end-December.

The improvement was achieved on turnover up by 6.9 per cent to £3.58m (£3.34m) and was struck after a fall in net interest receivable to £11,964 (£25,387) and abortive takeover costs of £69,100.

Mr Anthony Wood, chairman, said the main feature of the past six months had been the very strong growth in export sales, which had increased by 48.6 per cent from £498,511 to £740,895, representing 20.7 per cent (14.9 per cent) of total sales.

Disappointingly, the home market had remained flat, he said.

Earnings per share emerged at 4.9p (2.79p) and the single dividend for the year is doubled to 3p.

Barr & Wallace rises on back of motor side

A stronger contribution from its motor distribution operations enabled Barr & Wallace Arnold Trust to record a 19 per cent improvement in pre-tax profits to £4.4m for the year to end-December.

Although the motor side's contribution to overall turnover was static at £138m, the division benefited from greater operational efficiency and enhanced margins and lifted profits by £1.1m to £2.43m.

The leisure and holiday activities increased market share but trading conditions remained difficult. Their contribution to profits fell from £3.1m to £2.27m.

Group turnover expanded from £227m to £233m. Earnings worked through at 22.7p (19.1p) and a final dividend of 8p raises the total by 1p to 11p.

Looking ahead, the directors anticipated a further improvement in profits during 1994, "particularly from the motor operation which has had an excellent start to the year".

They were also looking for complementary acquisitions to enhance all divisions.

Year-end borrowings were reduced by 21.5 per cent to £15.9m and a further reduction was looked for in 1994.

The company's ordinary shares closed 18p lower at 605p while the A shares shed 12p at 314p.

Aspen hit by exceptionals

Pre-tax profits of Aspen Communications, the provider of media communication services traded on the USM, fell from £1.83m to £157,000 in 1993.

The result was after exceptional charges of £1.13m including £630,000 for bad and doubtful debts and redundancies and £1.23m in respect of goodwill previously written off. There was also an exceptional gain of £1.1m on the disposal of an associated undertaking.

Turnover rose from £60.3m to £64.2m. Losses per share emerged at 2.6p (8.6p earnings). A proposed final dividend of 2.9p maintains the total at 4.9p.

Michael Page bolstered by second half recovery

Michael Page Group, recruitment and executive selection consultancy, staged a sharp recovery in the second half of 1993 pushing pre-tax profits up from a restated £1.86m to £3.84m.

The shares gained 1p to 77p yesterday.

Mr Terry Benson, who has been appointed chief executive, said the profits reflect the recovery in the UK and Australia. In the UK the employment market was at its most active for three years. Permanent recruitment, adversely affected by the recession, showed a good increase in revenue, said Mr Benson.

However, recession created difficult market conditions for all operations in continental Europe. France and the Netherlands maintained profits but there was a small loss in Germany.

The dividend is raised from 1.8p to 2.1p, with a final of 1.5p.

Turnover rose from £43.64m to £51.2m and earnings per share were 4.01p (2.04p).

Clinton Cards rises to £3m

Clinton Cards, the specialist retailer, reported further progress in the year to January 29 as profits continued their recovery from £2.31m to £3.02m pre-tax. Turnover, ex VAT, was higher at £75.9m against £68.2m.

There was a 15 per cent rise in operating profits to £3.46m (£3.01m). The pre-tax figure was further helped by lower net interest charges of £439,000 (£701,000).

Earnings per share came out at 11.61p (9.76p) and a final dividend of 3.11p is recommended for a total of 4.71p (4.25p).

Devro at £18m and sees growth

By James Buxton, Scottish Correspondent

Devro International, the sausage casings maker which came to the stock exchange last June, reported pre-tax profits of £18m for the year to the end of December, against £13.1m. Turnover was up from £82.7m to £94.4m.

On a pro-forma basis, assuming the post-flotation capital structure was in place, reported a 27 per cent rise in pre-tax profits rose 27 per cent to £25.6m (£20.1m).

Mr Leon Allen, chairman, said Devro was "moving forward in a very satisfactory manner, despite the worldwide recession".

Mr Graeme Alexander, chief executive, said that half the sales growth of 14 per cent was due to windfall currency gains arising from the effect of sterling's devaluation.

Sales volumes increased in Europe, the US and the Asia Pacific area, with the South Korean market being particularly strong and expansion in Japan, he added. The company's new line in collagen film, used for coating hams, saw sales rise to £4m.

Thanks to the float net borrowings of £69.2m at the beginning of 1993 were paid off. The company generated £27.9m in cash flow and had net cash of £4.2m at the end of the year.

Devro said it expected to grow organically, especially in Asia, and to profit from the introduction of new products, of which it gave no details. It added: "The time may be approaching to give careful consideration to acquisitions."

Earnings per share were unchanged at 10.5p or on a pro forma basis 14.8p (10.5p). A final dividend of 4.17p is proposed.

Devro, based near Glasgow, is a maker of casings made from the edible protein collagen, which is gradually gaining market share worldwide from gut casings. The company was floated after being acquired by its management from Johnson & Johnson.

● COMMENT

The results reflect the quality of a company which grew steadily while achieving greater efficiency and investing £3.5m in R&D. It enjoys high margins, faces no single competitor worldwide and its market is protected by the high barriers to entry stemming from its technological lead. Devro was floated at 170p and peaked at 294p as the market worked out how to place it in the food manufacturing sector. Yesterday its shares fell 12½p to 244½p, apparently because of profit-taking on a bad day for the market, but perhaps also because of nervousness about the build-up of cash balances, which could hinder fast earnings growth. Analysts are forecasting pre-tax profits for 1994 of between £28m and £30m, suggesting prospective earnings of about 16.5p, putting the shares on a multiple of 14.5. Given Devro's underlying strength and the undisclosed new products in the pipeline the shares may be underpriced.

NFC sees viable recovery in UK

By Andrew Bolger

Pre-tax profits for NFC, transport and logistics group, increased by 45 per cent to £28.3m in the 16 weeks to January 22, against £19.5m. Turnover improved to £598.6m, compared with £557.4m, including £9.2m from discontinued activities.

However the company said the profit had been enhanced by a compensation payment of £3.5m for the cancellation of a property contract and a pension credit of £8.7m, up from £6.9m last time. Underlying growth in operating profits was 11 per cent.

The group, which is seen as a good indicator of economic activity, said the UK economic recovery remained variable, while there were no signs yet of recovery in Europe.

It added: "The US offers better prospects. There are encouraging signs of increasing activity throughout the logistics sector where the company's sales pipelines are ahead of expectations."

UK transport and logistics revenue increased by 5 per cent to £264m, with operating profit increasing by 6 per cent to £16.5m. In the grocery sector, revenue and margins were broadly in line with last year. The industrial market remained difficult.

By contrast, the consumer and the automotive and petroleum and chemicals sectors performed well.

"The integration of our UK logistics businesses is proceeding according to plan although only limited restructuring costs have been incurred so far with the bulk of the expenditure to be charged over the remainder of the year."

NFC said the management team at Lynx, its parcels operation, were reduced from £3.8m to £2.6m in spite of a small decline in revenue.

Revenue in Europe rose 13 per cent to £52.1m and the small loss in the first quarter was a slightly better result than last time.

Earnings per share rose to 3.6p (2.6p). The first interim dividend is raised 7.7 per cent to 1.4p (1.3p).

NEWS DIGEST

BB&EA declines to £902,000

Profits of British Building & Engineering Appliances, the specialist building products and services group, fell from £1.41m to £902,000 pre-tax for the half year to December 31.

The figure was in line with expectations and was struck from a higher turnover of £24.9m (£21m). Interest took £51,000 more at £234,000 but tax fell from £464,000 to £298,000.

Earnings per share slipped by 3p to 5.4p but the interim dividend is being maintained at 2.5p.

Victaulic makes £3.4m acquisition

Victaulic, the pipeline products maker, has acquired CE Heinke, a wholly-owned subsidiary of Siebe, for £3.37m.

CE Heinke, which makes rubber moulded and extruded products, made profits before interest and tax of £281,000 on turnover of £4m in the year to April 3 1993.

Included in the price is £800,000 for freehold properties.

Bridgend sells health club for £1.36m

Bridgend Group is to sell the health and fitness club Stocks at Birmingham to Living Well Health & Leisure for £1.36m, payable in stages.

The book value of the assets is £1.7m and the club made a loss of £23,000 in the year to December 31 1992.

Progress report lifts Fairway shares 12p

Fairway Group, the USM-traded stationery and educational supplies distributor, saw its share price rise 12p to 101p yesterday following an optimistic statement at the annual meeting.

Mr Gordon Waddell, chairman, said profits for the first two months of this year were above the board's expectations and significantly above the figures for the same period last year.

For the 1993 year pre-tax profits of £2.25m were returned from a turnover of £42.3m. All the principal companies contributed to the growth, excluding Fairway Business Forms.

£5.5m retail buy for Gt Portland Estates

Great Portland Estates is to purchase the College Square Shopping Centre in Margate, Kent, from a private investment company for £5.55m in cash.

The scheme produces a rental income of nearly £500,000 a year and is anchored by a Cateway superstore.

Bredero making £35m disposal

Bredero Properties has entered a conditional contract for the sale of its interest in the Paisley Centre for £34.8m in cash.

The contract is with Legal & General Assurance Society and the sale price represents an exit yield of about 7 per cent. The proceeds will be used to reduce debt.

Granada gives LWT final offer date

Granada Group has announced that its final offer for London Weekend Television will close on April 5.

Mr Alex Bernstein, Granada's chairman, has written to LWT shareholders who have not yet accepted the offer urging them to accept.

BZW Convertible lifts net asset value

BZW Convertible Investment Trust had a net asset value per share of 140.89p at January 31 1994 against 118.13p at the July 31 year-end.

Net available revenue for the half year rose from £1.73m to £1.94m for earnings per share of 3.83p (3.43p). The directors said that the level of earnings increase was unlikely to be achieved in the full year.

An unchanged second quarterly dividend of 1.5p, makes a maintained 3p so far.

Irish Permanent plans flotation this summer

By Tim Coone in Dublin

The way has been cleared for the public flotation of the Irish Permanent Building Society on the London and Dublin stock exchanges this summer, following approval of the conversion and flotation plans by the mutual society's members.

The IPBS is Ireland's largest building society, having a 30 per cent share of the residential mortgage market and assets of I£2.7bn (£2.6bn). It is the first to convert to a plc.

Conversion will involve the issue of 84m free shares to about 227,000 members and a cash distribution of I£200 per person for a further 100,000.

On completion of the flotation, which aims to raise up to I£50m in new capital through the issue of 34m shares, the company is expected to have a market capitalisation of I£180m-I£200m, giving an indicative share price of 150p-166p.

Foreign & Colonial

Foreign & Colonial High Income Trust net asset value per share was 81.6p at December 31 against 62.3p a year earlier. For the half year earnings were 1.25p (1.32p) per share. Interim dividend held at 1.2p.

Acquisition helps TT improve 44% to £24m

By Maggie Urry

Profits from TT Group were helped by the turnround at AB Electronics, acquired at the start of the year, and full year contributions from businesses bought in 1992, and showed a 43.8 per cent rise at the pre-tax level to £23.9m.

The figure for the year to December 25 was struck after a £397,000 goodwill write-off relating to the sale of the natural twine business.

Mr Timothy Reed, chairman, said 1994 had started ahead of expectations. The UK and US economies were now coming out of recession.

Group turnover more than donbled to £357.8m, with £156.7m coming from AB. Operating profits rose 42.4 per cent to £27.7m, of which AB made £5.49m. AB was losing about £1m a month when bought, for £13.6m plus the assumption of £25m of debt, but was into profit by April.

Operating margins for the group were down at 7.7 per cent (11.4 per cent) as AB made a much lower margin of 3.5 per cent. The group aims for a 10 per cent return on sales from operations.

The electronics and industrial division, into which AB falls, increased profits to £18.6m (£10.3m). Packaging profits were barely ahead at £8.2m (£8.1m) after significant costs in moving three factories to one site. The building services division suffered a downturn in profits from £1.1m to £800,000, feeling the recession in the construction industry as its products are used late in the building cycle.

Interest charges rose £551,000 to £3.35m as a result of the AB borrowings, in spite of the £51.4m proceeds of last summer's rights issue which were received in September. At the year end the group was cash positive.

Mr Nicholas Shipp, joint chief executive, said TT had the resources to make a £50m acquisition but that prices of UK companies had risen sharply over the last year and were out of the group's range now.

A deal in the US was more likely, although not until later this year or early next.

A lower tax rate, of 23.9 per cent (26.2 per cent), helped offset soma of the dilutive effect of the rights issue, and earnings per share were 19.3p (16.2p), or 19.8p excluding the goodwill write-off.

A final dividend of 4p is proposed to give a total of 6.6p (6p).

● COMMENT

TT is at last gaining the rating it deserves. Those who took up last year's rights at 240p will be pleased with a share price up 12p to 384p yesterday. The management's skills at turning round lossmakers hava been proved once again with the performance at AB. The only question might be whether there are enough reasonably priced targets these days for TT to buy. But with many companies divesting businesses and TT looking in the US and Europe, as well as the UK, it should find some gems among the hundreds it looks at every year. On forecasts around £30m pre-tax and a continuing low tax rate, the prospective p/e is around 17½ which leaves something more to go for.

Frederick Cooper up 37% and confident on future

By Paul Cheeseright, Midlands Correspondent

Frederick Cooper, the West Midlands architectural hardware, coatings and electrical group, yesterday reported what it called its "best interim trading performance" since 1989 as it exploited slightly improved markets off a reduced cost base.

Pre-tax profits for the half year to January 31 were 37 per cent higher from £1.77m to £2.43m. Earnings per share rose to 3.3p from 2.5p.

Mr Eddia Kirk, chairman, said he was confident enough about prospects to recommend an increase in the interim dividend from 0.7p to 0.8p. Total payments for the year to last July were 2.2p.

"Our costs are firmly under control and we continue to gain market share in all divisions. Our outstanding order book is 10 per cent higher than last year and additional new products provide further potential to increase turnover in the second half," Mr Kirk said.

He added that a new range of high security multi-locks had just won orders which would raise turnover by £500,000 a year starting in June.

During the first half turnover rose from £40.1m to £44.3m, of which £528,000 cama from a metal railings business, which has now been closed.

The most striking increase in the results came from the manufacturing sida of the security and architectural hardware division, where profits more than doubled to over £1m. Spectra, the US coatings business acquired last May, made a first contribution to profits of £170,000.

Although Mr Kirk thinks the prospects for Frederick Cooper are the best for five years, he finds the UK economic recovery "fragile". The coatings trade in Germany remains steady but the French and Italian markets are still sluggish.

Reorganised Wace at £15.9m

By Andrew Bolger

Waca, the pre-prass and specialist printing group, yesterday confirmed that new management had put the business back on an even keel following tha sudden departure of its chief executive in 1992.

Pre-tax profits were £15.9m in the year to December 31, compared with losses of £28.4m caused by substantial property write-downs and restructuring provisions. Turnover grew from £321m to £336m.

Mr Frans ten Bos, chairman, said: "Whila economic prospects remain uncertain, there has been an encouraging start to tha year but there is no claar evidenca of increased activity in our major markets. However, there are good opportunities to reduce further our cost base and rationalise our businesses."

Colin Beere

Frans ten Bos: hoping for further reductions in the cost base

Wace spent £3.1m on reorganisation and redundancy and cut the workforce from 5,038 to 4,621, with most jobs being shed in the US.

Mr Trevor Grice, chief executive, said Wace had a lot of little business which he had been "clustering" into larger units.

This focusing would continue, although at a less rapid rate.

Mr Grice said tighter financial and operational disciplines helped to generate £23.3m of cash. This, together with the proceeds of a £6.2m share placement, reduced group borrowings by £29.5m to £59.2m.

Gearing is still high, at 100 per cent, but Mr Grice said the group had agreed with its bankers that it would be better for shareholders if gearing was reduced by cashflow, rather than a rights issue.

The group said that uncertainty resulting from the planned sale of Wace USA at the beginning of the year was largely responsible for its trading profits falling from £9.02m to £8.44m. However, once it was announced that tha business would remain within Wace, performance had recovered – particularly in the second half.

Earnings per share were 11.6p, compared with losses of 44p.

A proposed final dividend of 2.5p gives a total of 3.5p (2.25p), a rise of 56 per cent.

● COMMENT

These figures were well received and the shares rose by 4p to 247p – a long way from the 48p they touched at the end of 1992 following the sudden exit of Mr John Clegg. With his successor, Mr Grice, firmly in the saddle, analysts can focus on more traditional questions – when will the advartising cycle turn, and is there a long-term threat to pre-press, as agencies and other customers do more work in-house? Wace is highly geared operationally for any upturn in demand, but that still looks elusive. On forecast profits of £22m this year, the shares are on a prospective multiple of 17. They have had a good run, but could still have further upside if and when advertising volume improves.

N Sea Assets boosts profit to £1.95m

North Sea Assets, the energy industry services supplier, reported pre-tax profits up from £1.33m, after losses on asset sales of £478,000, to £1.95m.

The result was also helped by lower net interest charges of £468,000, against £656,000.

Turnover was £29.3m, against £23m, which included £1.44m from discontinned activities.

Continuing activities showed a 36 per cent improvement but this was not translated into a similar increase in profits because of cost over-runs on certain projects.

Acquisitions and capital investment totalled £5.8m, but year-end debt only rose from £2.3m to £5m for gearing of 58 per cent (25 per cent).

Earnings were 2.76p (2.08p). The dividend is 1.1p (1p).

Richardsons up 31% and calls for £5.7m

By John Murrell

Richardsons Westgarth, the steel stockholder and processor, yesterday reported a 31 per cent increase in annual profits and announced plans to raise £5.7m via a fully underwritten rights issue.

For 1993 the group's continuing operations lifted turnover from £53.5m to £67m, generating profits of £2.52m (£1.92m) at the pre-tax level.

Earnings edged ahead to 4.9p (4.6p) and a proposed final dividend of 1.9p raises the total from 3p to 3.2p.

The cash call is of 7.2m new ordinary shares on a 1-for-4 basis at 85p a share. Yesterday, the shares closed 4p lower at 101p.

Tha proceeds of the issue will be used to finance a planned capital expenditure programme and fund increased working capital requirements expected to arise from sales growth in 1994 and 1995.

The directors feel the rights issue will allow tha group flexibility to continue to expand primarily through investment in new processing capacity and facilities while maintaining a sound financial position.

The issue is underwritten by Baring Brothers with Cazenove acting as broker.

On prospects, Mr Roger Payton, chairman, said trading across the group for the opening two months of 1994 had been satisfactory.

He cautioned, however, that although he looked to a general, though restrainad, increase in demand, that must be set against overcapacity in steel production in Europe and the fragility of the UK economy.

Quality Software meets market hopes

By Alan Cane

Quality Software Products, the Gateshead-based developer of large scale accounting software, met market expectations at the end of its first year after joining the main market.

The group made profits before tax of £553,000 in the year to the end of December, a 54 per cent declina on tha £1.2m recorded the year before. The company said the profit figure was struck after £1.3m had been invested in positioning the business for a much larger market.

Turnover rose slightly to £13.3m (£13.1m). Earnings totalled 7.3p (20.6p) and a dividend of 1.25p is recommended.

QSP specialises in accounting software for large companies. The 1993 year was a period of extreme disruption not only because of flotation but also because it completed an advanced, open systems, version of its flagship Olas product. Universal OLAS has now been sold to eight customers and is live at one, Express Gifts.

Mr Alan Mordain, chairman, said the remaining systems would be fully operational by June.

The company's prospects hava been greatly improved by deals struck earlier in the year with IATA, the airlines organisation, Continuum, a supplier of insurance software and with Global Software, a US accounting software company with some 800 customers.

It is thought likely that many of Global's customers will wish to adopt the advanced client-server design of Universal Olas. Mr Mordain said that the six principal modules in Universal Olas had now been completed and were ready for installation.

Lower whisky prices hit Burn Stewart

By Tony Jackson

Profits at Burn Stewart Distillers, the Scotch whisky producer, collapsed in the six months to end-December as a result of falling whisky prices. Pre-tax profits were down 58 per cent at £1.81m on sales 3.6 per cent lower at £19.5m.

Mr Bill Thornton, chairman, said prices for its case sales of whisky were down 12 per cent, though volume had risen by 44 per cent. The price pressure had come chiefly from the multiple retailers.

"Pricing is the key factor for the future. Our view is that any move from here can only be up, but there's no evidence that will happen in the short term. We're optimistic about some progress in 1995."

In 1993, the company said, case sales had made up 84 per cent of its total volume and bulk sales the remainder. Of the 84 per cent, 50 percentage points went to own label and the remaining 34 to Burn Stewart brands.

Bulk whisky sales were down 10 per cent by volume, Mr Thornton said. Because most of these sales were of high-margin mature malt, this had a disproportionate effect on profits.

The pre-tax figure was after a gain this time on disposal of shares of £298,000.

Earnings per share were 2.08p (4.95p) and the dividend was held at 1.7p.

A time to look ahead and assess the benefits of recession

Now that signs of an industrial recovery in the UK are showing through, Andrew Baxter takes a last look at the FT Six

Relief that the UK recession is more or less over and that activity is picking up at a modest pace has been the message accompanying improved results from manufacturers over the past few weeks.

That relief is shared by the six engineering companies the FT has been tracking out of the recession since 1992. But this last report in an occasional series demonstrates that the upturn in the UK is not the only thing for which they are thankful.

The broad conclusion to emerge from this series is that the six companies have come through the recession in reasonably good shape, albeit somewhat slimmer. An article in tomorrow's FT Ingenuity survey, for exampla, shows that product development programmes hava been maintained and even, occasionally, extended throughout the past three years.

Top executives from the six companies met recently for the first time to review progress and reflect on the broader issues relating to manufacturing in the UK.

As they look back on three tough years of trading, punctuated by inevitable job cuts in their UK manufacturing operations, several are counting the benefits of having international sales that far exceed their UK business.

In 1991 and 1992, it was business in continental Europa that helped offset the gloom at home. But as Germany plunged into recession, dragging the rest of continental Europe with it, many of the FT Six have been looking to the US market to lift their fortunes. More recently, the UK has been picking up too.

Bloxwich Engineering

At Bloxwich Engineering, which makes vehicle parts and other products, sales to the car industry have picked up, says Mr Peter Burton, chief executive.

Overall, he thinks the company's UK business is "coming on gently," and points out that its forging business, which covers a broad spectrum of markets, has seen slightly increased demand.

Senior Engineering

Mr John Bell, chief executive at Senior Engineering, the specialist tubing, ductwork and boilers group, agrees that "coming on gently" is exactly the right expression to use for conditions in the UK market, with sales to some industries going very well and others not seeing any improvement yet.

Posiva

At Posiva, the Scunthorpe-based importer of gears and drives, business has picked up since about the middle of last year, especially in the textile machine industry, although Mr Reg Bricknell, managing director, notes that the uplift is coming mainly from customers whose equipment is destined for overseas markets.

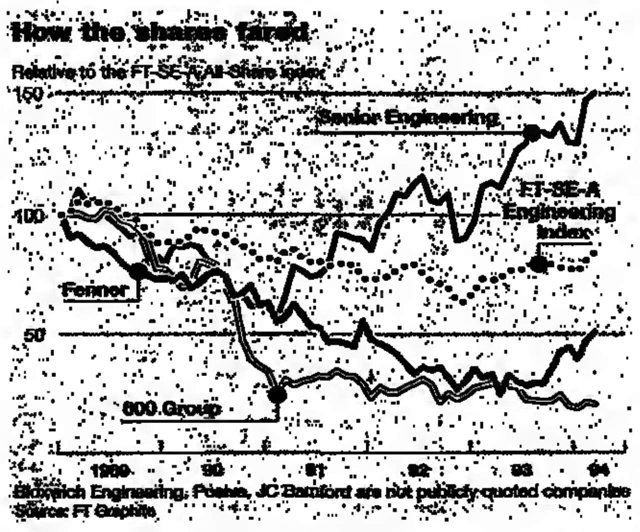
The same applies for gearboxes going into mechanical handling equipment, he says.

600 Group

At 600 Group, which manufactures and distributes machine tools and materials handling equipment, there has been some improvement in the UK machine tool market, which always comes late in the cycle, says Mr Colin Gaskell, managing director.

"But I don't like to say recovery is on the way in case the government does something stupid like putting 5 per cent on interest rates," he says.

How the shares fared



Bloxwich Engineering, Posiva, JC Bamford are not publicly quoted companies
Source: FT Graphite

JC Bamford

Mr Martin Coyne, chief executive of JC Bamford, the biggest UK construction equipment producer, says UK business picked up about 20 per cent last year, reflecting the way the plant hirers attenuata trends – they had destocked to such an extent that evan a slight increase in business leads to a big demand for new equipment.

But in terms of conditions in the construction industry, which JCB serves, with only a slight increase in housebuilding activity Mr Coyne is still fairly pessimistic about the recession being over.

Fenner

Mr Mark Abrahams, finance director at Fenner, which makes fluid power equipment, industrial conveyor belting and transmission products, makes a slightly different point about the UK recession.

"We've seen quite a significant number of our UK customers disappear. The previous recession took a large slice out and now anothar slice has gone. It's a slightly worrying trend," he says.

It is no wonder, therefore, that companies are relieved not to be too dependent on the UK. "British groups which have any businesses in North America are seying 'thank goodness', as you will see when our numbers come out [next week]." says Mr Bell. That is not simply because of current market conditions, he says: the UK's economy still has a see-saw nature, "and that would worry me about having too big a UK sales base."

Mr Gaskell and Mr Coyne, too, are glad that they only have 25 per cent of their businesses in the UK. JCB is doing extremely well in the US and at 600 Group overseas markets, apart from Europe, are showing quite a strong recovery.

On the other hand, there is general agreement that the UK is an attractive base for manufacturing, if not always for selling. "There's no better place to manufacture than the UK," says Mr Coyne. "It's half tha cost of Germany." Mr Bricknell, meanwhile, says he is trying to persuade his German parent company to start manufacturing in the UK.

Still, not all the FT Six would make the UK their first choice for any future investment in new factories. Mr Gaskell believes that, although pay rates are higher in tha US, "you can run a leaner operation there".

Mr Abrahams argues that UK manufacturing may have learnt some good lessons through tha past two recessions, after it had had it too good for too long, but the cycles have destroyed much of manufacturing.

Varying solutions, therefore, are proposed for how the government and the City could help build up the UK's manufacturing base. Old-fashioned intervention is generally ruled out, although Mr Burton believes a government industrial strategy is needed to prevent recurrence of a "disgrace" such as the collapse of Leyland-DAF.

Others, like Mr Gaskell, believe the UK economy would be in better shape if government spending and bureaucratic waste was cut, and both he and Mr Bricknell believe industry should have a much stronger role in controlling how government money on research and development is spent.

Mr Coyne says the UK needs to emulate the ability of the Japanese to get finance for new investment into the grass roots of British industry, thus creating an environment where small companies can grow.

COMMODITIES AND AGRICULTURE

Germany sets scientist to work on BSE threat

By Michael Lindemann in Bonn

The German government yesterday announced the launch of a new research project to examine whether the cattle disease bovine spongiform encephalopathy (BSE) can be transmitted to human beings.

The initiative comes as the country is pushing for a European Union ban on British beef imports, arguing that there is still no conclusive evidence that the disease cannot affect humans.

Seven German universities and research institutes will be sponsored by the country's research and technology ministry to examine possible connections between the origins of BSE and two other diseases, Creutzfeldt Jakob disease and Gerstmann Sträussler syndrome, which very rarely affect humans.

Several German scientists have expressed concern that BSE – popularly known as "mad cow disease" because of the way it debilitates the brains of cattle – may be transmissible to humans who eat contaminated beef or take medicines made with ingredients from contaminated animals.

"The danger that BSE can be transmitted to humans is minimal or non-existent," said Professor Hans Kretzschmar from Göttingen University. "However, we do not know that it is non-existent. I personally think [British beef] should not be imported."

Contaminated British beef will be discussed at a meeting of EU health ministers on March 30, but a German official said that any decisions about a ban would be made by the union's agriculture ministers, who were likely to argue that existing safeguards were sufficient.

In 1992, the last year for which figures are available, Germany imported 2,092 tonnes of British beef – 2 per cent of all its beef imports from other EU countries – and 13 tonnes of veal.

The research ministry said that more than 100,000 cattle had died as a result of catching BSE in Britain. A further 50 cases of the disease had been recorded in Switzerland and there were two known cases in Germany, one of which affected a cow imported from Britain.

Bank cleans up from gold lending

By Kenneth Gooding, Mining Correspondent

The Bank of England is profiting greatly from the upsurge in gold bullion lending, according to a study published today.

London is the dominant market for gold lending and for metal to be of practical value to dealers it has to be located there. So those central banks which are providing most of the bullion for lending have been moving gold to the Bank of England for safe keeping. For this it makes a charge.

This trend has seen more than 500 tonnes of gold previously held by the US Federal Reserve Bank in New York on behalf of other central banks moved to London in the past few years, says Mr Ian Cox, author of the paper published by the World Gold Council, a promotional body financed by gold mining companies.

He suggests that the bullion lending market has trebled in the last ten years to about 2,000 tonnes, equivalent to one year's supply from all the world's gold mines. About 75 per cent of this is lent by between 45 and 50 central banks and other official monetary institutions. And they do it for the money. Their net annual earnings from lending gold – which not long ago was a non-earning asset – is between US$100m and $140m.

Most of the gold is borrowed by miners to support hedging operations and to finance exploration and extraction activities. All hedging operations need the support of borrowed gold.

Mr Cox says the explosive growth in gold lending seen in the 1980s is unlikely to be repeated but demand will continue to increase for the next five to seven years. However, development might be slowed because several financial institutions have withdrawn from gold trading, reducing the number of counterparties likely to be regarded by central banks as acceptable.

Argyle digs deep for precious prizes

Kenneth Gooding visits the world's biggest diamond producer

The massive, man-made Argyle dam is blood-red from the sandstone in the silt carried to it by the Ord River after the wettest wet season experienced for 100 years in this remote region in the far north of Western Australia.

About half a metre of rain in the past month has washed out one of the roads leading to the huge open pit at the Argyle diamond mine. But the weather has not delayed a A$100m project designed to ensure that Argyle remains the world's biggest diamond producer into the next decade.

Argyle produced 7.9 tonnes of diamonds last year or 34 per cent of the global total. However, as the pit goes deeper the deposit contains fewer diamonds and Argyle has been spending so as to increase the tonnage of material shifted each year – to about 40m tonnes.

This will give an extra 2m tonnes of ore (taking it to an annual 8.6m tonnes) and should keep diamond output relatively constant for another seven years. By that time the pit will have reached its maximum depth of 320 metres.

Argyle's diamond output is likely to rise a little this year and next before falling back again in 1996, according to Mr Ron Bates, general manager, operations.

By 1996 the pit's owners, CRA, the Australian affiliate of RTZ Corporation of the UK, with 60 per cent, and Ashton Mining, about one-third owned by the Malaysian Mining Corporation, will have to decide whether to build an underground mine at the bottom of the pit. Mr Bates says Argyle has been scouring the world for suitable low-cost underground mining methods but it is far too early to say whether the scheme would be viable.

The partners' search for more diamond deposits nearby has drawn a blank so far. The joint venturers spent A$150m on exploration and feasibility studies and then A$475m to bring Argyle into production in 1985. Since then the mine has produced about 40 tonnes of diamonds and given the partners on average a handsome 30 per cent return on their investment.

Indications from the partners' annual results suggest that Argyle's output last year was worth about A$500m and produced an after tax profit of about A$100m for them to share.

Although Argyle ranks first in diamond output by weight, it is only sixth in the world in the value of diamonds it produces. Some 5 per cent of the diamonds from Argyle account for 50 per cent of its revenue while 50 per cent are industrial stones of little value and produce only 5 per cent of the revenue.

Mr Bates points out that in mining terms the industrial stones should be seen as a by-product that must be extracted along with the mine's main product. The remaining 45 per cent of the mine's output is of cheap gem stones.

The key to Argyle's success, therefore, has been new technology that enables it to sort billions of diamonds – many of them virtually worthless – a task traditional sorting methods could not handle. CRA has developed a system using X-rays to locate the diamonds in crushed ore – they glow in the beams – and then micro-computer-controlled machines blast air to blow each one out of the material at a rate of up to 500 a second.

Coffee futures retreat after hitting fresh three-year highs

By Deborah Hargreaves

Coffee prices hit fresh three-year highs before retreating towards the close at the London Commodity Exchange yesterday. The May futures position closed at $1,347 a tonne, $17 off the peak and $5 down on the day.

Some traders were concerned that coffee prices had risen too quickly and were due for a correction. "London is looking exceptionally over-bought: It's a bit worrying," said Mr Lawrence Eagles, coffee analyst at GNI, the London brokerage house.

Prices have surged by nearly 15 per cent since the beginning of the year after a tightening in supplies caused by some crop problems, rising consumption and the effects of the producers' export retention scheme.

Stocks of coffee held by consuming countries dropped to 17m bags at the end of January from 18.4m bags last October. Mr Eagles suggested there would be a fairly steady draw down for the rest of the year to about 12m bags by 1995.

The drop in consumer stocks is one indication of the success of the retention scheme set up by 40 producers in October. Producers agreed to withhold 20 per cent of their supplies from the export market until prices reached a predetermined level.

That level was almost achieved yesterday when the daily indicator price rose to 74.88 cents a pound. When it gets to 75 cents producers will keep back only 10 per cent. However, this prospect has largely been accounted for in the recent move in coffee prices.

If the indicator rose by another 10 cents producers could begin releasing stocks on to the market again. But that is some way off.

● Producing and consuming nations came closer to agreeing a compromise on a new International Coffee Agreement yesterday. The new pact could allow the industry to negotiate economic clauses if the political will arose at some stage in the future, but any economic provisions discussed would then have to be incorporated into a new pact.

● GNI has dramatically reduced its forecast for the deficit in this year's cocoa crop from 241,000 tonnes to just 50,000 tonnes. But its says these are largely accounting changes and that, with stocks reduced significantly by the decision to liquidate the International Cocoa Organisation's buffer stock, and crop output static, prices should still rise.

The brokerage house forecasts that the stock to consumption level will fall below 30 per cent in the current crop year – the lowest level since 1977 when prices averaged nearly £3,000 a tonne.

Indian jute faces stiff challenge

By Kunal Bose in Calcutta

The Indian jute mill industry, which always has enjoyed a high level of protection from the federal and state governments, fears that it is going to lose a large part of the domestic packaging market to synthetic materials following a recent revision of the duty structure.

The excise duty on traditional jute products like hessian, sacking and yarn has gone up by 112 per cent with the government changing the levy from a fixed Rs760 (£16.30) a tonne to 10 per cent *ad valorem*. At the same time, the duty on synthetic bags has been reduced by 5 per cent to 30 per cent. In addition the customs duty on polypropylene granules, the raw material for synthetic bags, has been cut by 10 per cent to 65 per cent.

The duty on synthetic packaging material had always been kept high to give protection to jute. According to the officials of the Indian Jute Mills Association, following the duty revision, the price of a jute laminated bag has gone up from Rs11.50 to Rs15 while that of a synthetic bag has fallen from Rs8 to Rs7.75. As a result, the fertiliser industry, which packs nearly 50 per cent of its production in synthetic bags is expected to reduce further the use of laminated jute bags.

In the meantime, the cement manufacturers, responding the demand of consumers and lower prices of synthetic bags, have almost given up jute bags. This is in spite of a government order, introduced in 1987, that cement should only be packed in jute bags. The order also says that the principal packing material for fertiliser should be jute. But the federal government has let it be known that "jute will not be given protection for ever" and the user industries should have the freedom to decide which packing material to use.

IJMA officials, who have been able to enlist the support of the government of West Bengal, will entreat the federal government to restore the old duty structure so that jute does not lose any more of the domestic market. According to them, "jute deserves special treatment since it supports over 4m farmer families and over 225,000 jute mill workers".

After the setback in the cement and fertiliser sectors, the mainstay for jute packaging material is foodgrains and sugar. But it is feared that once sugar is packed in 50 kg – the International Labour Organisation made a recommendation to this effect a long time ago – synthetics may become the preferred packaging material for sugar. As synthetic bags cannot hold 100 kg of sugar, the commodity is now exclusively packed in jute bags.

While the industry was facing a crisis in the domestic market, its exports in the nine months to December 1993 rose to 158,024 from 137,776 tonnes in the corresponding period of the previous year. Export earnings from jute goods during the period increased to Rs2.77bn from Rs2.37bn.

MARKET REPORT

Copper rise meets resistance

A late rise in the London Metal Exchange three months delivery COPPER price above the $1,960-a-tonne resistance level was not maintained yesterday as profit-taking and resistance trimmed gains. A high of $1,966 was reached before the price dropped back to $1,956, up $6 on balance.

Dealers suggested the failure to hold above $1,960 could signal a retracement in the short term, but still thought prices were set to move higher, given encouraging chart patterns and improving fundamentals.

ALUMINIUM held steadier in line with copper, although apart from some short-covering and trade interest business remained slack.

NICKEL'S breach of $5,700 a tonne in late trading triggered stop-loss buying orders and short-covering, which chased the market higher.

ZINC remained under pressure as its recent technical bounce lost momentum.

Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1313-4	1338-8.5
Previous	1313.5-4.5	1338.5-9.0
High/low		1344/1333
AM Official	1316-6.5	1339.5-40
Kerb close		1339.5-40
Open int.	270,714	
Total daily turnover	46,390	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1265-70	1285-90
Previous	1270-5	1285-90
High/low		1300/1290
AM Official	1275-85	1295-300
Kerb close		1280-90
Open int.	4,541	
Total daily turnover	539	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	460-1	474-4.5
Previous	462.5-3.5	477-8
High/low		476/473
AM Official	460.5-61	473-4
Kerb close		474-5
Open int.	33,632	
Total daily turnover	8,627	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5660-70	5725-30
Previous	5620-30	5685-90
High/low		5750/5670
AM Official	5610-20	5675-80
Kerb close		5735-40
Open int.	50,965	
Total daily turnover	10,354	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5470-80	5520-30
Previous	5475-80	5525-30
High/low		5540/5460
AM Official	5460-65	5510-15
Kerb close		5535-40
Open int.	19,883	
Total daily turnover	4,868	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	951-2	971-2
Previous	951.5-2.5	972-3
High/low		974/963
AM Official	947-8	967-7.5
Kerb close		967-8
Open int.	108,419	
Total daily turnover	12,044	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1948.5-9.5	1958-9
Previous	1940-1	1952-3
High/low	1948	1965/1950
AM Official	1948.5-9.0	1957.5-8.0
Kerb close		1956-7
Open int.	220,846	
Total daily turnover	47,915	

■ LME AM Official £/$ rate: 1.4885
LME Closing £/$ rate: 1.4945

Spot:1.4945 3 mths:1.4901 6 mths:1.4876 9 mths:1.4859

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open Int	Vol
Mar	91.15	-0.10	91.75	91.15	1,941	486
Apr	91.05	-0.05	91.00	91.00	1,129	54
May	90.90	-0.05	92.00	90.60	42,416	5,585
Jun	90.70	-	91.10	91.10	921	2
Jul	90.55	-	91.55	90.50	13,010	1,171
Aug	90.50	-	91.00	91.00	488	16
Total					71,288	7,872

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	388.70-389.10	
Opening	388.60-389.00	
Morning fix	388.40	261.092
Afternoon fix	388.25	260.858
Day's High	388.90-389.30	
Day's Low	387.40-387.80	
Previous close	389.00-389.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.28	6 months	3.60
2 months	3.34	12 months	3.80
3 months	3.39		

Silver Fix	p/troy oz.	US cts equiv.
Spot	375.65	559.00
3 months	380.30	564.10
6 months	384.85	569.90
1 year	394.85	583.80

Gold Coins	$ price	£ equiv.
Krugerrand	390-393	262-265
Maple Leaf	389.20-401.75	-
New Sovereign	93-96	63-66

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	387.0	-2.2	-	-	-	-
Apr	387.4	-2.1	388.7	387.3	53,771	39,890
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmbtu; $/mmbtu)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	106.35	+1.10	-	-	-	-
May	106.35	-	106.50	106.35	33	36
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Close	Prev
BFI	[illegible]	[illegible]

Cotton

LIVERPOOL-Spot and shipment sales amounted to 330 tonnes for the week ended 18 March, against 206 tonnes in the previous week. Restricted operations involved few fresh dealings. Only occasional interest displayed in African and American styles.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	914	-10	950	947	59	32
May	947	-11	967	945	23,715	2,658
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
[illegible]	[illegible]	[illegible]

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
[illegible]	[illegible]	[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]	[illegible]	[illegible]	[illegible]

■ CRB Futures (Base: 1967=100)

[illegible]	[illegible]	[illegible]	[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	76.475	-0.300	76.850	76.400	33,068	9,373
Jun	74.250	-0.725	74.625	74.200	23,351	4,886
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COPPER (Grade A) LME

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE LCE

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA LCE

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ BRENT CRUDE IPE

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/May) +or-

[illegible]	[illegible]	[illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

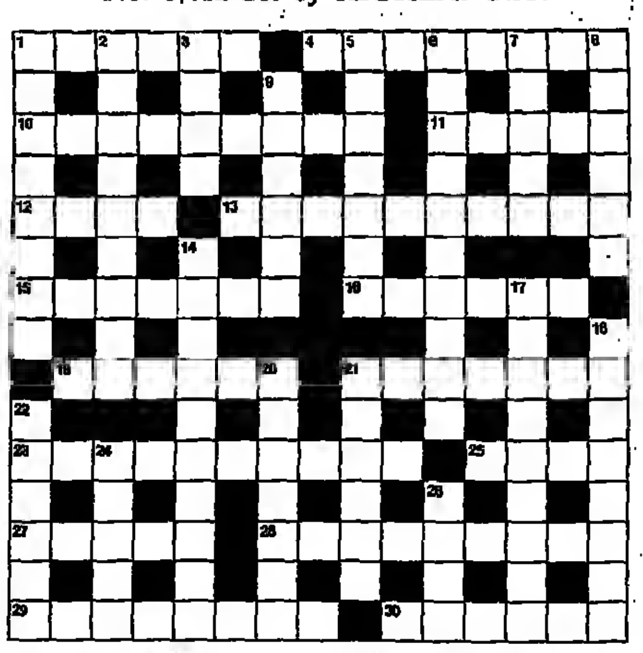
[illegible]	[illegible]	[illegible]

■ OTHER

[illegible]	[illegible]	[illegible]

CROSSWORD

No. 8,412 Set by HIGHLANDER



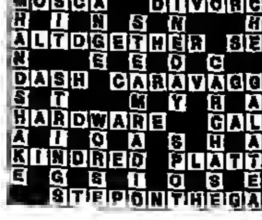
ACROSS

1 Dog working sheep (6)
4 Old swimmer in Rosebay? (8)
10 Again departing orally from spelling (9)
11 Opt for stout (5)
12 For example round marine micro-organism spreading disease (4)
13 Administrator has letter expressed to another executive (10)
15 The French dug in haphazardly, without interest (7)
16 Sovereign remedy = Q/51/9 (6)
19 Small hound is live and nimble when no one in the middle (6)
21 Mine has a man from Ireland to make light taps (7)
23 Part of press follow cross-country race (5,5)
25 Revenue men showing smoother element (4)
27 Hold fast having caught fish (5)
28 Gerard is involved with B11 officer (9)
29 Split peas – extraordinary price (8)
30 Provide protection against water by containing flow (6)

DOWN

1 What mercenary suitor tries to do? Say it with flower! (8)
2 Permitted variation leading to cleaner arrangement (9)
3 Sign on old people (4)
5 Pull seniority to hold key for suitcases (7)
6 Be grateful for increase in value (10)
7 Wimbledon score card (5)
8 Put to rest (6)
9 Reptile girl on way to southernmost point of country (6)
14 Parrot makes move to Baltic port by river (10)
17 Motorway is taken over incomplete, to be fair (9)
18 Dangerous fish roam about in top of Gulf (8)
20 Show former his unfinished piece (7)
21 Girl on a piano taken over here and there (6)
22 Son nibbles very small pieces (6)
24 Dress up proper and play quietly (5)
26 Reasonable start for ash in wood (4)

Solution 8,411



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Heavy setback as interest rate hopes dwindle

By Terry Byland, UK Stock Market Editor

Disappointing inflation data for last month badly upset the UK stock market yesterday, reversing an initial attempt by London to follow other European bourses in a favourable response to the latest developments in the global interest rate drama. In early trading, the FT-SE Index was 23 points ahead, encouraged by bond market firmness following the overnight statement from the US Federal Reserve and then by a significant easing in repos rates et the Bundesbank tender yesterday morning. But the FT-SE Index closed 46.2 down at a new low for the year of 3,155.3.

Both gilt-edged and equities went heavily into reverse at mid-morning on news that the UK retail price index showed a 0.6 per cent gain last month, against market expectations of an increase of only 0.4 per cent. The news was interpreted as a severe blow to the already dwindling hopes for the cut in UK base rates keenly sought by the stock market as a counter influence to the increases in personal and VAT taxes which will hit UK consumers' pockets next month.

Successive waves of selling in the stock index futures sector destroyed share prices. Selling pressure increased towards the close as investors weighed the likelihood that the credit tightening indicated on Tuesday by the Federal Reserve will not be the end of the matter. Some London analysts warned that Federal Funds Rate could move to 4 per cent, or even 5 per cent in the near future.

Account Dealing Dates		
*First Dealings:		
Mar 14	Mar 28	Apr 11
Option Declarations:		
Mar 24	Apr 7	Apr 21
Last Dealings:		
Mar 25	Apr 8	Apr 22
Account Day:		
Apr 5	Apr 18	May 3

*New time dealings may take place from two business days earlier.

During the second half of the session, London effectively separated itself from the other European markets which were buoyed by hopes that their domestic interest rates can be reduced under the lead of the Bundesbank. The UK was seen as closer to the US in terms of economic cycle, with inflation pressure not far away. Nervousness increased as both the stock and futures markets fell through support levels and into what looked dangerously like free fall territory.

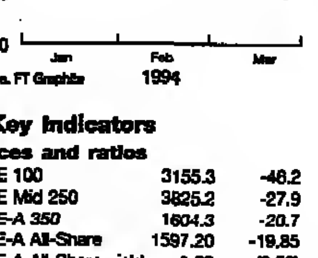
At least one large London trading house was a heavy seller of the Footsie index future yesterday, and pressures from the derivatives markets were enhanced by a buy programme in equities in early trading. Traders stressed that futures markets are now exerting even greater pressure on the underlying stock market than that seen when share prices were rising.

Although the interest largely focused around the Footsie-listed stocks, this afforded little protection to the FT-SE Mid 250 Index, which closed 27.9 off at 3,825.2. Across the full range of the market, trading volume of 714.2m shares was around 5 per cent up on the previous session, when retail, or customer, business in equities returned a total worth of £1.56bn.

The stock market closed in a very subdued mood, with traders expecting equities to remain nervous for the rest of this week, which will bring important money supply data from Germany as well as unemployment claims figures from the US. But the key to the stock market remains the government bond sector, which proved again that it is itself highly nervous, and also capable of outweighing any trends developed in the equity market.

Company features also turned less encouraging, with Wellcome falling sharply ahead of the trading statement due today and Glaxo under further pressure. However, Barratt Developments, the housebuilder, joined other companies to have raised dividend payments this week.

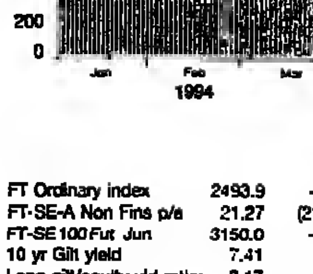
FT-SE-A All-Share Index



Source: FT Graphite 1994

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



1994

■ Key Indicators

Indices and ratios

FT-SE 100	3155.3	-46.2	FT Ordinary index	2493.9	-33.8
FT-SE Mid 250	3825.2	-27.9	FT-SE-A Non Fins p/e	21.27	(21.55)
FT-SE-A 350	1604.3	-20.7	FT-SE 100 Fut Jun	3150.0	-61.0
FT-SE-A All-Share	1597.20	-19.85	10 yr Gilt yield	7.41	7.31
FT-SE-A All-Share yield	3.62	(3.58)	Long gilt/equity yld ratio:	2.17	2.16

Best performing sectors		Worst performing sectors	
1 Distributors	-0.1	1 Pharmaceuticals	-4.1
2 Health Care	-0.2	2 Life Assurance	-2.9
3 Investment Trusts	-0.2	3 Consumer Goods	-2.4
4 Chemicals	-0.3	4 Leisure & Hotels	-2.2
5 Oil, Integrated	-0.3	5 Building & Const	-2.2

Heavy trade in Glaxo

Pharmaceuticals group Glaxo was the main casualty among leading stocks as brokers reacted to shock news of a challenge to the company's headline drug. By the close of dealing, the shares had fallen 40, or 6 per cent, to 622p. The shares were also the most heavily traded in London – on turnover of 22m.

Worries over the apparent threat to Zantac, Glaxo's anti-ulcer treatment, were sparked on Tuesday by news that an arm of Ciba-Geigy, the Swiss group, hoped to launch a version of the drug in the US.

Zantac accounts for 43 per cent of Glaxo's sales and the threat to those sales by a global player prompted Goldman Sachs and Smith New Court to re-examine their views on the shares. Goldmans, already comparatively bearish, cut its short term recommendation and said that although it was holding its forecasts, "the risk to these forecasts are now substantially increased".

Smith, formerly a buyer, turned to be being merely a short-term holder of the stock. Other bullish analysts were also busy assessing positions. The European pharmaceuticals team from UBS argued that the Ciba move could add SFr500m (£231.4m) to company sales in 1996, which would hit Zantac sales by 10 per cent.

Wellcome cloud

Selling ahead of half-year figures today sent shares in Wellcome, the pharmaceuticals company down 22 to 601p after announcement of an EU inquiry.

The stock was already weak following a sharp sector sell-off in the US on Tuesday prompted by news that Sandoz, the US group, was planning to slash the price of a cholesterol treatment in order to gain market share.

However, the full hit came when dealers reacted to news of an EU inquiry into its joint venture with Warner Lambert.

Analysts said the inquiry was routine and believed that the stock market had overreacted and had also ignored news that Wellcome had obtained an option to develop and market Glaxo's experimental compound 3TC for treating of AIDS. Elsewhere in the sector, SmithKline Beecham lost 11 at 390p and Zeneca 13 at 740p.

Lasmo steady

Further heavy two-way business developed in Lasmo, the oil exploration and production stock, after the group confirmed the market's long-held view that the final dividand was doomed. Lasmo also announced big losses, heavy write downs, more asset sales and hosted a poorly-received meeting with analysts.

The shares rose to 132p immediately following the results, which were broadly in line with analysts estimates, but later fell sharply, dipping to 124p, with Smith New Court, the securities house said to have forecast a drop in the shares to 100p. "On fundamentals the shares are 20 per cent too high," said a Smith analyst.

By the close, however,the stock had rallied to 126p, a net fall of 2, with US institutions, which already hold over 20 per cent of Lasmo shares, said to have moved in to buy the stock. US investors view Lasmo as a BP-type recovery play and focus on the company's cash flow.

Kingfisher doubts

Results from Kingfisher at the top end of analysts expectations failed to ease concern over trading in tha UK businesses. The shares slipped with the market, ending the day 9 down at 567p with turnover reaching 6.5m.

With business at Woolworth, Superdrug and B&Q all proving disappointing, Kingfisher's strategy of 'every day low prices' combined with cost cutting and product innovation as a means of improving margins, divided analysts. The more optimistic observers believe the group will emerge from the current flat period in strong market positions. Others are not convinced, with one analyst complaining that the company strategy kept promising "but never seems to deliver."

All agree, however, that the crucial test for the short-term performance of the shares will come in the next three weeks when the management embark on a big series of presentations to insitutions and analysts.

A meeting between NatWest executives and bank sector analysts to explain the rationale behind the acquisition of Citizens First, the US bank, appeared to reassure the stock market and NatWest shares edged up 2 to 466p in a generally dull sector.

TSB dropped 5½ to 217p on heavy turnover of 8.3m shares, unsettled by an agency cross at 215p. HSBC fell back from an early 804p to end the session unchanged on balance at 783p. Standard Chartered closed 32 lower at 1074p following what was described as a badly-handled selling order from one agency broker.

Sharelink, the stockbroker, fell sharply, the shares slipping 29 to 325p after some stock was sold into the market at 313p.

ICI was one of the few Footsie stocks to remain in positive territory the shares benefiting from a Goldman Sachs recommendation and adding 5 at 811p.

Reuters Holdings improved 7 to 2048p on buying ahead of the share split in April.

BAT Industries shed 10 to 459p after a US House sub-committee voted to raise the Federal cigarette tax by $1.25 a pack to help finance a health care reform bill.

Among leisure stocks, Thorn EMI and Rank Organisation were among the worst hit. Dealers said that as well as being among the best performers in the sector in recent months, last week's consumer spending figures had hit sentiment. The shares retreated 24 to 1083p and Rank fell 17 to 398p.

Poor results from whisky group Burn Stewart sent the shares down to 129p.

Media stocks continued weak with United Newspapers which is to announce full-year figures today, falling 24 to 636p, Pearson, which reports on Monday, sliding 13 to 615p and Reed International losing 12 to 826p. Carlton Communications, downgraded by Nomura slid 24 to 906p.

RPC eased 2 to 160p after announcing that Barclays Venture Nominees and Railway Pension Venture Capital were behind the selling of a 6.7 per cent stake in the group on Tuesday.

British Aerospace was among a handful of stocks that managed to resist the market trend, the shares closing 1½ ahead at 515p, on talk that the group may benefit from increased tension between North and South Korea.

Korea is believed to have defence equipment on order from BAe and there were suggestions that the orders may be brought forward.

A sharp increase in full year profits from engineering company TT Group helped the shares jump 12 to 384p.

MARKET REPORTERS: Christopher Price, Joel Kibazo, Peter John, Steve Thompson

■ Other statistics, Page 19

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (40).
GILTS (1) BLDG MATLS & MCHTS (1) Grafton, CHEMICALS (4) BASF, Bayer, Hoechst, Porvair, DISTRIBUTORS (4) ABI Leisure, ISA Int'l., Norbain, Sanderson Bramall, ELECTRNC & ELECT EQUP (3) Forward Tech. Inds., NEC, Toshiba, ENGINEERING (3) Manganese Bronze, Metsec, Rolls Royce, ENG. VEHICLES (1) Volkswagen, EXTRACTIVE INDS (8) Anglo Pacific Res., Caledonia Mining Corp., Int'l. Musto, Minorco, Niugini Mining, HEALTH CARE (1) Amersham Int'l., INSURANCE (1) Sedgwick, INVESTMENT TRUSTS (3) EFM Income, London Amer. Growth, M & G Recovery Cap., LEISURE & HOTELS (1) Crockfords, MEDIA (2) Hodder Headline, Phonelink, OIL EXPLORATION & PROD (1) Ohio Res., PRTNG, PAPER & PACKG (2) Portals, Regent A, PROPERTY (2) Bourne End, In Shops, SUPPORT SERVS (1) Kalamazoo, TEXTILES & APPAREL (1) Claremont Garments, AMERICANS (2) Gillette, Lowe's, SOUTH AFRICANS (1) Tongaat-Hulett.
NEW LOWS (18).
GILTS (1) DISTRIBUTORS (2) Trifast, Welpac, ELECTRN & ELECT EQUP (1) Roxspur, HEALTH CARE (2) Calab Int'l., Shield Diagnostics, INSURANCE (1) Hiscox Select, INVESTMENT TRUSTS (1) Kleinwort Euro Prvt., LEISURE & HOTELS (1) Wembley, OIL EXPLORATION & PROD (1) Coplex Res., PRTNG, PAPER & PACKG (1) Crest Packaging, PROPERTY (1) Chelsfield, SUPPORT SERVS (5) Borland Int'l. Inc., Clinical Computing, AMERICANS (1) Houston Inds.

EQUITY FUTURES AND OPTIONS TRADING

The strong sell off in gilts led to a sharp turnaround of nearly 100 points in stock index futures and pulled the cash market lower after UK inflation data disappointed the market, *writes Joel Kibazo.*

Heavy selling of the June contract saw it close at 3,155, at parity with cash but 10 points below its fair value premium to cash of around 10 points. Volume was heavy reaching 23,989 contracts.

June had been strong earlier in the day. Having opened at 3,232, buying mainly from independent traders (locals) saw the contract advance to the day's peak of 3,246, just before 9.30am.

The announcement of the inflation figures brought a sharp retreat in gilts and a reverse in June. It fell back in heavy selling, once again led by independent traders, reaching a low of 3,149, a decline of 97 points from its earlier peak.

The FT-SE June contract in the mid-250 closed at 3,802, but once again the screen showed no turnover in the same contract on the OMLX.

It was expiry of the stock options in the Liffe traded options sector. Total volume was 45,430 of which 17,465 was in the FT-SE 100 option and 4,166 in the Euro FT-SE option. HSBC was the busiest stock option at 2,453 lots.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3232.0	3150.0	-81.0	3246.0	3149.0	23989	55807
Sep	3220.0	3167.0	-81.0	3220.0	3220.0	4	701
Dec		3176.0	-81.0			0	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3869.0	3802.0	-48.0	3869.0	3835.0	124	1391

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Jun	3830.0	766
Sep	3837.5	

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3155) £10 per full index point

	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P
Apr	181½	16	119½	26	84½	40	56	63	33½	92½	18½	128½	8	170½	4½	217½
May	185½	40	148	52	115	68½	86	88½	63	116	43	145½	30	182½	19½	222
Jun	189½	52½	163½	85½	133½	85½	104½	106	81½	132½	81	182	45	195	32	231½
Jul	212	82	168½	77½	150½	96	121½	119	99	146	77½	174½	80	206½	47	242½
Dec†	281	115½			219	151½			165½	195			118½	247		

Calls 9,387 Puts 7,977

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2975		3025		3075		3125		3175		3225		3275		3325	
Apr	175½	12	134½	19½	98½	30½	68½	49½	41½	74½	24	107½	13	144½	6½	188½
May	203½	32½	166	44½	131½	59½	101	78½	74½	102	52½	129	35½	162	23½	199½
Jun			177	54			116	92			70	144½			38	212½
Sep			225½	87½			165½	125			115½	172½			78	232½
Dec†			262½	117½			208	154½			152½	116			109	253

Calls 2,380 Puts 1,786 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3850		3900		3950		4000		4050		4100		4150		4200	
Apr	50	77½		107½		137½	10	187½	4	237½		282½	1½			
May																

Calls 5 Puts 8 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Mar 23	Day's chge%	Mar 22	Mar 21	Mar 18	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3155.3	-1.4	3201.5	3196.0	3218.1	2860.6	3.84	6.02	20.13	23.12	1165.86
FT-SE Mid 250	3825.2	-0.7	3853.1	3854.5	3865.6	3138.0	3.16	5.25	23.46	14.80	1393.15
FT-SE Mid 250 ex Inv Trusts	3842.8	-0.8	3872.0	3875.4	3885.8	3159.1	3.30	5.65	21.84	14.40	1394.75
FT-SE-A 350	1604.3	-1.3	1625.0	1623.8	1632.7	1421.6	3.68	5.84	20.82	10.45	1212.74
FT-SE SmallCap	1876.60	-0.6	1888.82	1894.96	2001.51	1580.01	2.85	3.81	32.80	8.11	1506.11
FT-SE SmallCap ex Inv Trusts	1954.24	-0.7	1968.99	1877.36	1983.59	1569.84	3.50	4.20	30.31	7.55	1491.10
FT-SE-A ALL-SHARE	1597.20	-1.2	1617.05	1616.26	1624.88	1405.00	3.62	5.69	21.39	10.18	1228.49

■ FT-SE Actuaries All-Share

	Mar 23	Day's chge%	Mar 22	Mar 21	Mar 18	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2546.31	-0.8	2561.47	2539.94	2536.01	2146.90	3.57	4.88	25.40	27.63	1066.96
12 Extractive Industries(4)	3946.05	-1.4	4003.25	3962.34	3989.58	3185.20	3.28	4.51	28.69	28.93	1071.23
15 Oil, Integrated(3)	2459.16	-0.3	2467.75	2442.50	2436.12	2023.70	3.67	5.07	24.58	31.89	993.88
16 Oil Exploration & Prod(11)	1827.16	-1.0	1844.90	1849.93	1840.48	2056.20	3.27	6.93	32.60	0.00	1036.09
20 GEN MANUFACTURERS(264)	2118.75	-0.9	2138.94	2144.55	2152.64	1720.10	3.53	4.07	31.64	11.18	1054.88
21 Building & Construction(31)	1385.45	-2.2	1416.83	1429.63	1431.44	935.30	2.61	3.54	36.04	2.61	1081.84
22 Building Matls & Merchs(30)	2226.58	-1.0	2248.58	2264.23	2276.21	1520.90	3.19	2.80	48.28	1.62	1020.46
23 Chemicals(20)	2484.60	-0.3	2492.34	2461.81	2477.98	2121.80	3.72	4.56	27.59	20.00	1078.32
24 Diversified Industrials(16)	2122.76	-1.0	2144.93	2148.31	2150.21	1846.80	4.33	4.33	30.29	24.90	1063.48
25 Electronic & Elect Equip(34)	2044.34	-0.6	2056.17	2044.71	2055.69	1696.50	3.59	6.25	19.65	2.50	072.18
26 Engineering(72)	1943.60	-0.0	1959.15	1960.38	1958.83	1445.70	2.82	3.04	44.40	3.73	1089.00
27 Engineering, Vehicles(12)	2283.78	-0.7	2305.04	2341.21	2369.01	1796.80	4.55	3.24	41.11	20.61	1068.14
28 Printing, Paper & Pckg(27)	2904.66	-1.5	2948.57	3026.66	3045.61	2322.00	2.85	4.29	28.21	1.00	1115.98
29 Textiles & Apparel(22)	1836.04	-1.5	1863.95	1873.51	1887.84	1675.30	3.67	6.28	19.78	1.56	1011.87
30 CONSUMER GOODS(94)	2770.78	-2.4	2837.83	2843.60	2853.17	2637.50	4.18	7.31	18.12	19.08	926.67
31 Breweries(17)	2173.07	-1.0	2209.04	2202.98	2223.23	2125.30	4.16	7.92	15.51	11.01	952.81
32 Spirits, Wines & Ciders(10)	2993.27	-1.7	3045.44	3028.39	3024.00	2863.90	3.61	8.12	12.07	19.93	980.82
33 Food Manufacturers(23)	2321.98	-1.1	2346.97	2333.31	2338.30	2482.40	4.08	7.47	16.69	11.18	949.53
34 Household Goods(12)	2595.16	-1.6	2636.72	2638.24	2643.67	2346.60	3.32	7.15	16.01	1.07	903.82
35 Health Care(20)	1781.53	-0.2	1784.43	1771.45	1771.80	1798.30	3.10	5.54	21.52	2.98	1010.59
37 Pharmaceuticals(11)	2923.64	-4.1	3047.42	3096.88	3106.17	3038.80	4.29	7.56	16.45	35.65	910.16
38 Tobacco(1)	3850.59	-2.1	3934.48	3913.51	3955.45	4129.10	5.47	8.58	13.59	0.00	829.27
40 SERVICES(221)	2038.82	-1.2	2064.40	2063.94	2073.33	1801.50	2.90	5.46	22.28	3.06	960.78
41 Distributors(31)	3079.27	-0.1	3083.84	3093.55	3102.08	2584.40	2.78	4.88	24.75	5.57	1042.54
42 Leisure & Hotels(22)	2239.44	-2.2	2290.77	2298.16	2307.39	1764.30	3.20	4.54	26.54	13.25	1085.99
43 Media(36)	3114.54	-0.0	3142.50	3157.39	3189.82	2218.50	2.04	4.22	28.24	14.30	1065.18
44 Retailers, Food(17)	1608.72	-1.7	1636.02	1644.59	1646.17	2041.00	3.85	9.93	12.50	1.93	934.22
45 Retailers, General(44)	1712.38	-1.1	1731.71	1716.47	1726.58	1514.10	2.81	5.43	23.12	4.34	885.93
48 Support Services(40)	1684.75	-0.6	1694.32	1688.25	1695.39	1536.70	2.41	6.78	16.77	1.96	1005.38
49 Transport(16)	2539.52	-1.5	2577.39	2582.11	2578.23	2096.90	6.31	3.57	32.52	5.62	975.24
51 Other Services & Business(12)	1200.03	-0.5	1205.82	1205.78	1213.51	1611.10	3.95	3.60	39.25	0.97	1010.12
60 UTILITIES(36)	2378.99	-0.9	2400.91	2389.98	2402.25	2118.30	4.20	7.33	16.86	5.60	899.74
62 Electricity(17)	2327.38	-0.6	2341.42	2310.61	2321.42	1713.60	3.56	10.64	11.55	15.85	939.99
64 Gas Distribution(2)	2005.77	-2.0	2047.35	2037.75	2027.54	1980.30	5.87	‡	‡	0.00	886.21
66 Telecommunications(4)	2054.94	-0.8	2071.08	2078.79	2101.29	1952.00	3.84	5.89	20.74	0.09	854.86
68 Water(13)	1869.66	-0.9	1086.79	1864.28	1863.10	1807.90	4.94	18.59	8.65	3.48	899.57
59 NON-FINANCIALS(633)	1723.77	-1.3	1746.39	1745.50	1751.66	1541.23	3.68	5.75	21.27	8.87	1189.94
70 FINANCIALS(104)	2270.46	-1.1	2295.48	2296.29	2330.37	1876.50	3.94	6.23	19.28	29.00	881.89
71 Banks(10)	2887.24	-0.7	2906.42	2898.92	2970.85	2252.00	3.73	6.56	18.06	55.86	853.86
73 Insurance(18)	1328.06	-2.0	1354.83	1354.59	1359.21	1332.16	4.80	6.21	14.25	13.32	885.55
74 Life Assurance(6)	2543.42	-2.9	2619.00	2616.97	2595.71	2602.20	4.86	4.78	26.32	2.91	935.79
75 Merchant Banks(5)	2923.46	-0.7	2943.43	2977.45	3001.53	2428.00	3.27	8.08	15.09	11.44	860.42
77 Other Financial(25)	2000.96	-0.6	2013.45	2018.79	2021.30	1374.70	3.25	5.67	22.50	12.37	1048.03
79 Property(39)	1642.17	-0.8	1657.72	1674.16	1690.99	1221.80	3.74	3.40	38.91	2.80	916.61
80 INVESTMENT TRUSTS(121)	2877.45	-0.2	2884.66	2873.48	2886.45	2231.90	2.18	1.71	58.45	14.30	855.80
89 FT-SE-A ALL-SHARE(658)	1597.20	-1.2	1617.05	1916.26	1624.88	1405.00	3.62	5.69	21.39	10.13	1228.49

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3213.7	3217.0	3205.0	3199.2	3182.4	3172.9	3176.7	3175.7	3156.2	3224.9	3153.5
FT-SE Mid 250	3863.5	3862.7	3860.2	3855.3	3847.2	3838.6	3838.6	3837.4	3827.0	3866.5	3825.1
FT-SE-A 350	1630.8	1632.3	1627.1	1624.3	1617.0	1612.5	1614.0	1613.5	1604.5	1635.3	1603.8

Time of FT-SE 100 High 8.50 am Low 3.51pm

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1355.8	1351.1	1349.0	1346.7	1344.1	1335.7	1333.9	1332.2	1316.4	1317.1	1351.5	-34.4
Pharmaceuticls	2984.5	2963.8	2948.6	2935.0	2903.8	2897.9	2902.4	2898.2	2895.1	2892.1	3016.1	-124.0
Water	1894.8	1890.5	1891.1	1885.0	1877.4	1874.8	1874.8	1872.2	1865.5	1865.3	1881.6	-16.3
Banks	2974.2	2985.2	2977.3	2974.5	2957.8	2936.0	2941.2	2942.8	2919.8	2922.7	2942.0	-19.3

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	8,400	56	-1
Abbey National†	1,800	478½	-8½
Albert Fisher	1,800	61	-2
Allied-Lyons†	1,800	605	-14
Anglian Water	807	502	-8
Argos	3,400	358½	-½
Argyll Group†	4,100	255	-1
Arjo Wiggins†	1,800	283	-3
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied-Lyons	600	21½	33	43½	13	32½	40½
(*605)	650	4	14½	28½	48	67½	72
Argyll	240	18	28	31	4	14½	18
(*254)	260	7	17	21	13	28	30
[illegible]							
(*459)	460	15½	26½	35½	26	33½	43½
BTR	360	32½	42	48	6½	12	17
(*383)	390	13½	24½	30½	17½	24½	31
Brit Telecom	390	21	50	36	6½	18	23
(*400)	420	6½	15	21½	23	35½	39½
Cadbury Sch	453	42	-	-	4	-	-
(*486)	493	14	-	-	18½	-	-
Eastern Elec	600	41½	54½	62	9	25½	33
(*628)	650	14½	29	37½	33½	52½	59½
Guinness	460	50	43½	53½	11½	22	26½
(*484)	500	6	24	34	34	44½	51½
GEC	300	14½	19½	24½	8	17	21
(*304)	330	4	7	12	29	37½	40

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Hanson	260	21½	25½	30	3½	7½	11
(*276)	300	8½	14½	18	11	18	20
Lasmo	120	13½	20	25½	7	12	18
(*125)	130	8½	15½	20½	11	17½	22
Lucas Inds	180	21½	28	31½	3½	8½	13
[illegible]							
(*600)	650	1	19½	41	54½	78	83½

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Glaxo	600	33½	50	72	15	32½	52½
(*610)	650	13	38	60	44	60½	81
HSBC 75p shs	750	56½	88½	111	18	40	68
(*780)	500	27	64	84½	43	74½	91
Reuters	2050	60	137	178	50	105	133
(*2050)	2100	37	112	152	91	130	158

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Rolls-Royce	160	11½	18½	23	6½	14	18
(*158)	200	4½	18½	14	22	26	30½

* Underlying security price. Premiums shown are based on closing offer prices.
March 23, Total contracts: 45,186 Calls: 24,837 Puts: 20,351

FT GOLD MINES INDEX

	Mar 22	% chg on day	Mar 21	Mar 18	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	2090.87	+1.7	2055.48	2059.16	1290.72	1.79	2387.40	1248.72
■ Regional Indices								
Africa (15)	2967.00	+1.2	2933.04	2896.30	1547.45	4.62	3440.80	1488.27
Australasia (8)	2537.14	-1.1	2565.86	2544.29	1249.43	1.45	3013.89	1249.43
North America (11)	1773.74	+2.7	1727.64	1746.85	1211.80	0.53	2039.65	1162.27

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Mar 23. 227.3 ; day's change: -0.8 points; Year ago: 104.8 † Partial Latest prices were unavailable for this edition.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	81	10
Other Fixed Interest	2	3	10
Mineral Extraction	44	90	71
General Manufactures	78	322	260
Consumer Goods	17	91	84
Services	40	232	237
Utilities	7	30	8
Financials	52	186	153
Investment Trusts	83	117	260
Others	43	62	17
Totals	376	1,194	1181

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	March 21	Last Declarations	June 30
Last Dealings	April 1	For settlement	July 11

Calls: Betterware, Caverdale, Dorling Kind, Kunick, Lucas Wts, Nat Home Ln, Regent Corp, Trafalgar Hse, Wellcome, World Fluids. Puts: Caird, Euro Disney. Puts & Calls: Caverdale, Lucas Wts, ML Labs, Millgate, Nat Home Ln, Wellcome.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	1993/94 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	31.0	246	241	Abtrust N Dawn C	246	+1	-	-	-	-
135	F.P.	41.2	142	134	Applied Distbn	138		WN3.6	2.4	3.3	16.1
105	F.P.	33.4	118	181	Cedardata	150	+3	RN1.91	2.9	2.2	17.9
-	F.P.	126.0	65	62	Central Euro Gwth	63		-	-	-	-
-	F.P.	8.40	23	21	Do Warrants	21		-	-	-	-
-	F.P.	9.62	£87½	£87	Chester Water	£87	-½	†235.0	4.3	3.4	0.0
-	F.P.	36.9	125	125	County Smlr C	125		-	-	-	-
50	F.P.	133.0	50	45	Edin New Tiger	47½	+1	-	-	-	-
-	P.P.	12.2	50	49	F & C Private Eq	49		-	-	-	-
150	F.P.	142.5	99	93	Fidelity Jpn Values	95	-1	-	-	-	-
130	F.P.	32.7	155	130	Finelist	150		R3.3	2.3	2.8	19.5
-	F.P.	2.54	105	98	Fleming Japan C	181½		-	-	-	-
-	F.P.	2,591.0	£31½	£21⅛	Franklin Res	£31½		Q28c	-	0.6	-
-	F.P.	51.0	103	150	Gartmore Brit Inc	102		-	-	-	-
-	F.P.	58.8	118½	112	Do Zero Pf	113½	+1	-	-	-	-
-	F.P.	106.5	218	208	Do Units	213		-	-	-	-
170	F.P.	68.4	171	158	Goldsborough Hltn	150	-4	WN3.3	2.6	3.8	17.0
163	F.P.	233.0	216	195	Graham Group	204	-4	LN4.6	2.3	2.8	18.5
-	F.P.	65.2	74	88¾	Guangdong Dvlpt	71¾	-1¾	-	-	-	-
S1	F.P.	83.5	62	54½	Israel Fund	54½	-1½	-	-	-	-
-	F.P.	8.20	28½	26¾	Do Warrants	26¾	-½	-	-	-	-
-	F.P.	538.2	495	459	Mercury Euro Prvtn	488	+5	-	-	-	-
140	F.P.	228.2	172	163	Midland Indp Nws	165½	-2½	WN2.8	2.3	2.1	22.7
00	F.P.	20.4	53	49	Mithras Inv Tst	51		-	-	-	-
-	F.P.	65.2	228	221	Partco	221	-1	L5.35	2.2	3.0	10.1
-	F.P.	5.24	200	198	Ptarmigan Int'l C	199		-	-	-	-
125	F.P.	17.7	133	113	Radstone Tech	118	-1	R3.8	2.4	6.3	14.8
100	F.P.	56.4	95	94	Saracen Value	94		-	-	-	-
-	F.P.	116.2	508	401	Schroder UK Gwth	496	+1	-	-	-	-
118	F.P.	52.7	140	124	Tring Intl	124	-1	RN3.8	2.1	3.8	14.7
153	F.P.	52.5	160	153	United Carriers	156	-1	-	-	-	-
50	F.P.	10.7	72	66	Waste Recycling	66		11.4	0.4	21.6	26.9
205	F.P.	51.3	218	203	Wellington	217		W5.17	2.0	3.0	21.0

F.P Fully-paid security. P.P Part-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price p	+or-
92	Nil	11/4	15pm	7pm	Burford	8½pm	
175	Nil	5/4	27pm	14pm	‡Cap. & Regional	14pm	
62	Nil	28/4	10½pm	2pm	Haden MacLellan	2pm	-2
280	Nil	4/5	43pm	35pm	Henlys	35pm	-3
150	Nil	5/5	15pm	13pm	Union	13pm	
30	Nil	5/5	11pm	7pm	Upton & Sthn	7pm	-1
315	Nil	30/3	54pm	45pm	Wetherspoon JD	45pm	-3

pm Price at a premium.

FINANCIAL TIMES EQUITY INDICES

	Mar 23	Mar 22	Mar 21	Mar 18	Mar 17	Yr ago	*High	*Low
Ordinary Share	2493.8	2527.7	2528.2	2542.7	2566.3	2235.4	2713.6	2124.7
Ord. div. yield	3.70	3.66	3.67	3.65	3.62	4.40	4.62	3.43
Earn. yld. % full	5.04	4.98	4.99	4.97	4.92	6.16	6.38	3.62
P/E ratio net	21.57	21.82	21.78	21.87	22.08	20.14	33.43	18.40
P/E ratio nil	22.52	22.79	22.75	22.85	23.06	18.71	30.80	18.14

*For 1993/94. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2536.1	2536.7	2529.2	2527.5	2514.6	2507.6	2501.4	2508.7	2495.0	2543.1	2493.4

	Mar 23	Mar 22	Mar 21	Mar 18	Mar 17	Yr ago
SEAQ bargains	39,108	37,802	34,657	33,756	34,034	36,785
Equity turnover (£m)†	-	1564.9	1161.5	1430.6	1423.6	1690.6
Equity bargains†	-	44,553	40,590	38,243	38,360	43,956
Shares traded (m)†	-	588.0	460.2	493.6	573.7	726.7

† Excluding intra-market business and overseas turnover.

BANKS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£23½	+⅛	£25¼	£18¼	6,604	4.7	ф
ANZ A$		253¼	+6¼	278¼	130	3,320	3.8	20.0
Abbey National	qN☐	479½xd	–3½	524	345	6,273	3.7	16.1
Allied Irish I£	♣☐	258xd	–3	314	179	1,700	4.8	ф
Anglo Irish I£	MN☐	99	–1	*70	28	143.9	7.3	16.8
Asahi Y		656¼	–12½	844	415	15,814	6.7	–
Banco 55 Viz Pta		£15⅝	+⅛	£17⅞	813½	3,597	5.3	6.9
Banco Sant Pta		£31⅛	—	£36	£24½	3,513	4.3	12.1
Bank Leumi (UK)		430xd	—	450	325	35.2	2.4	ф
Bk Ireland I£	♣xd☐	258	–2	*318	177	1,218	4.0	19.0
Bank Scotland	♣†☐	191½	–½	247	118½	2,229	3.0	36.0
9¼pc Pf		130½	–½	141½	117¼	130.5	8.8	–
9¾pc Pf		137½	–¼	148½	123½	137.6	8.9	–
Barclays	qN☐	537xd	–5	652	362	8,720	3.5	27.4
Dai Ichi Kan Y		£12¼	–½	£16⅞	56⅞	38,183	6.4	32.7
Deutsche DM		£318½	+1⅞	£349⅞	£250½	15,218	1.9	–
Espirito Santo		£21¼	–⅜	£28⅞	218½	232.7	3.7	5.2
First Nat Fin	N☐	79	–1	*95	45	130.9	2.4	–
6.3pc Cv Pf		88	—	*91	55	5.78	9.2	–
7pc Cv Pf		168	–1	171	159	74.8	5.8	–
Fuji Bank Y		1459½	+6	1681	876	42,282	0.4	–
HSBC HK	☐	883xd	+6	1133	474	14,100	3.7	ф
HSBC (75p Shs)	☐	783xd	—	1113	490	6,624	2.4	ф
Lloyds	N☐	552xd	–18	690	492	7,093	2.4	11.7
Mitsubishi Y		£17⅛	–½	£19¼	£11⅞	51,543	0.3	–
Mits Tst & Bk Y		958¼	–18	1027¼	462½	12,453	0.5	15.4
Mitsui Tst & Bk Y		720¼	–35	852	374	8,631	0.7	24.5
Nat Aust A$		568	+3	620¼	322	7,487	4.2	13.6
NatWest	qN☐	465xd	+2	634	306	7,744	5.0	12.0
Ottomane FFr		£30	+¼	£33	£23¼	160.0	2.4	8.8
Ryl Bk Scotland	♣N☐	471	–6	526	207	3,271	2.4	18.6
Sakura Y		£8½	–⅞	211	£5¼	28,108	0.8	53.9
Sanwa Y		814⅞	–⅞	£16	£7¼	41,424	6.4	–
Standard Chartd	qN☐	1074xd	–32	1437	576	2,577	2.8	16.5
7 3/8pc Pf		80¾xd	–½	108¼	94	85.8	9.6	–
Sumitomo Y		£13⅛	–¼	£16¼	£8⅞	42,881	0.4	29.3
Sumitomo Tst Y		984½	–5½	998¼	437½	12,246	6.6	77.2
TSB	N☐	217xd	–5½	291	145½	3,320	4.4	14.8
Tokai Y		£7⅛	–⅛	£9⅞	£4⅞	14,823	6.7	45.6
Toyo Tst & Bk Y		698¼	–9½	840	411	5,468	6.7	62.3
Westpac A$		245	+6	250	121	4,295	2.2	ф
Yasuda Tst Bk Y	‡	547¼	–6¼	680	343	6,937	6.6	48.8

BREWERIES

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Accot Hldgs	☐	7¾	—	10½	4½	26.8	–	–
Bass	N☐	512	–10	647	441	4,458	4.8	13.6
Boddington	qN☐	270xd	—	299	169	325.6	3.7	13.7
Burtonwood		185	—	195	128	35.2	3.5	14.1
Eldridge Pope A	♣N	190	—	191	75	32.2	2.8	22.2
Fosters A$		59	–1¼	70½	50	1,886	4.9	09.3
Fuller STA	♣†	440	—	493	338	89.3	2.1	10.8
Gibbs Mew	♣†	422xd	—	433	146	27.2	2.4	21.0
Greenalls	♣N☐	441	–2½	511	347	920.8	3.5	15.9
Greene King	†N☐	605	—	584	504	813.6	3.1	14.1
Grosvenor Inns	♣♣†0	152xd	–1	*165	69	19.7	3.7	23.0
[illegible]		[illegible]	[illegible]	[illegible]	31	25.0	–	53.1

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

OIL, INTEGRATED - Cont.

PROPERTY - Cont.

SPIRITS, WINES & CIDERS

TRANSPORT - Cont.

OTHER FINANCIAL

WATER

SUPPORT SERVICES

LIFE ASSURANCE

AMERICANS

MEDIA

OTHER SERVICES & BUSINESSES

CANADIANS

TELECOMMUNICATIONS

TEXTILES & APPAREL

INVESTMENT COMPANIES

RETAILERS, FOOD

SOUTH AFRICANS

	Notes	Price	+ or -	1993/94 High	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£22½	—	£23½	£7½	1,344	3.3	◆
Barlow		£6¾	-⅛	£6⅞	£3⅜	871.3	7.4	8.1
Gold Fields SA R		214¼	-¼	£18	£7¼	1,374	2.8	23.9
MK Props.	$	80	—	67	66	3.82	9.9	37.8
SASOL	♥	327	-14	361	215	1,882	4.3	-
SA Brews		£12⅝	-⅛	£15⅞	£7⅞	6,980	2.1	21.4
Tiger Oats		769	-13	838	513	1,126	2.3	10.6
Tongaat-Hulett	†	578	-11	589	212	432.6	2.6	16.1

PHARMACEUTICALS

MERCHANT BANKS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed as profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised & dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ◆ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
& Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
S Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

OIL EXPLORATION & PRODUCTION

PRINTING, PAPER & PACKAGING

RETAILERS, GENERAL

TOBACCO

TRANSPORT

LEISURE & HOTELS

OIL, INTEGRATED

PROPERTY

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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Thornton Unit Managers Ltd (1200)F

Abbey Life Assurance Co Ltd

Canada Life Group - Contd.

Eagle Star Life Assurance Co Ltd - Contd.

Hill Samuel Life Assur. Ltd

Lincoln National - Contd.

NM Life Assurance Ltd - Contd.

Providence Capital Life Assc. Co Ltd - Contd.

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
S-E-Banken Life Assurance Co Ltd				
149-151 High Rd, Chadwell Hth RM6 6PJ 081-597 7580				
Managed Fund	156.3	164.6	-0.3	-
Pension Mngd Fd	175.7	185.0	-0.4	-
Save & Prosper Group (z)				
16-22 Western Rd, Romford RM1 3LB 0708-766966				
Bal Inv Fd	766.0	811.6	-1.2	2.10
Deposit Fd†	361.7	382.0	+0.3	5.74
Gilt Fd	517.9	548.1	+1.7	8.16
Gilt Pens Fd	142.7	151.1	+0.5	7.95
Global Equity Fd	242.7	256.9	+0.4	-
Global Eq Pens Fd	240.5	254.6	+1.0	-
High Int Pens Fd†	132.9	140.7	-	5.45
Japanese Mngd Fd	104.4	110.5	-1.1	-
Managed Income Fd	50.7	53.2	+0.1	6.14
North American Mngd Fd	72.4	76.7	-	-
Pacific Mngd Fd	82.1	86.9	+0.3	-
Property Fd*	101.6	107.6	+0.1	5.92
Prop Pens Fd*	134.0	142.5	+1.2	6.46
UK Capital Portfolio	62.0	66.3	-0.3	-
UK Managed Gilt Fd	62.1	65.8	-0.1	-

†Weekly dealings. *Fortnightly dealings

	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Amicable				
150 St Vincent St, Glasgow 041-248 2323				
Life Funds (First Series)				
Managed	465.4	490.2	-2.60	-
Equity	577.7	608.2	-4.40	-
Property	287.7	302.9	+0.10	-
International	473.2	498.2	-1.10	-
Japanese	126.9	132.8	-3.00	-
Asia Pacific	187.6	197.8	+4.80	-
European	130.0	136.9	+0.40	-
American	162.9	171.5	-1.40	-
Fixed Interest	370.6	390.3	-0.90	-
Index-Linked Gilt	195.3	205.6	-1.10	-
Cash	225.1	237.0	+0.10	-
Life Funds (Second Series)				

	Bid Price	Offer Price	+ or -	Yield Gross
Skandia Life Assurance Co Ltd - Contd.				
Pension Managed Funds				
Skandia Cautious	158.9	161.2	+0.3	-
Skandia Balanced	[illegible]	[illegible]	+0.5	-
CU Managed	[illegible]	312.3	-0.4	-
Schroder Managed	163.3	161.3	-0.3	-
Standard Life Assurance Company				
3 George St, Edinburgh EH2 2XZ 031-225 2552				
Managed	702.3	740.4	-3.1	-
Equity	994.3	1046.7	-3.1	-
Fixed Interest	397.5	418.5	+0.2	-
Index-Linked	207.4	218.4	-	-
International	631.4	664.7	+1.7	-
North American	147.8	155.6	-0.2	-
Far East	174.9	184.2	+1.2	-
European	173.1	182.3	-	-
Property	345.4	363.6	-0.1	-
Cash	263.2	277.1	-	-
Pension Managed	977.1	1029.1	-4.4	-
Pension Stock Exchange	222.9	234.7	-1.0	-
Pension Equity	1432.1	1507.5	-13.1	-
Pension Property	453.8	477.7	+1.2	-
Pension Cash	407.1	428.6	-	-
Pension Far East	140.5	141.9	+1.0	-

Tunbridge Wells Equitable - Contd.

Providence Capital International Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Dollar fails to strengthen

The dollar yesterday failed to rally despite the tightening of mooetary policy by the US Federal Reserve and a generous cut in the German repo rate, *writes Philip Gawith.*

The US currency finished in London at DM1.685, down from its Tuesday close of DM1.6885 before the Fed nudged up the fed funds rate by 25 basis points to 3.50 per cent. The dollar is well below the DM1.76 level it traded at shortly after the Fed tightened in February.

In Germany, the Bundesbank provided further evidence of a decoupling of US and European interest rates when it announced an eight basis points cut in the repo rate to 5.80 per cent.

The dollar also finished lower against sterling, closing at $1.4935 compared to $1.4862 on Tuesday. The pound was boosted by a poorer than expected February retail inflation figure which set back expectations of a cut in UK interest rates.

There was widespread concern in the market at the dollar's failure to rally despite the favourable interest rate movements. Mr Brian Hilliard, senior international economist, at SGST, said it seemed there was "virtually no circumstance that provides strength to the dollar."

Others were less pessimistic about the US currency. Mr Paul Chertkow, head of global currency research at UBS, said the market remained thin with "the loog term players very much committed to the (long dollar) positions they held at the beginning of the year."

■ *Sentiment against the dollar* has soured following the currency's repeated failure to make headway despite an *interest rate differential* moving in the US's favour, and good growth prospects.

Dollar bears are certainly in the *ascendancy* at the *momeot.* Swiss Bank Corporation, for example, confirms that it is "very comfortable" with its *forecast of the dollar at DM1.60* by the middle of the year. The SBC view is that the dollar is weak because of a large current *account deficit and interest rates that are too low.*

A spokesman said if the US currency went through DM1.67 by next Monday, a large number of investors would be forced to rethink their positions. "People who buy currencies because of growth are having to reconsider," he said.

Mr Chertkow says the dollar needs a catalyst to break from the levels where it is curreotly "languishing". One candidate he suggests would be a package of market-opening measures from the Japanese governmeot. Another would be the release of a good non-farm payroll number on April 1.

The UBS analyst added that in the absence of evidence of long-term investors being frightened out of the dollar, be was happy to stand by the bank's *forecast* of *DM1.80 by* mid-year and DM1.90 in December.

In the futures market Euro*dollar contracts firmed* showing a slight downward revision of the pace at which Fed tightening is anticipated. The June three month future rose by eight basis points to 95.68. The December contract was nine basis points firmer at 94.84.

More *encouraging* for the dollar was that it managed to keep a firm tooe against the yen, despite a return to the *offensive from US negotiators* about the trade dispute with Japan. The dollar closed in London at Y106.430 from *Y106.005.*

■ The Bundesbank pleased the market with its generous repo cut, at the top end of traders' expectations. The D-Mark held up well in Europe, finishing unchanged against the French franc at FFr3.418 and the Belgian franc at BFr20.64. The lira was slightly firmer against the D-Mark at L988.9 from L990.4.

Euromark futures rallied after this news, but later lost ground when rumours were rife about another bad money supply figure. The February *M3* number will be released later this week, and there was speculatioo that growth could be as high as 30 per cent - well *above the Bundesbank guideline.*

The June contract settled one point lower at 94.50, with the December contract seven points down at 94.88.

Call money was slightly easier at 5.70/5.80 per cent after the repo, indicating the market view that interest rates will continue to fall.

■ In the UK, sterling had a better day as a poor inflation number scotched talk of a rate cut. The headline retail price index rose 0.6 per ceot in February for a year-on-year rise of 2.4 per cent, compared with market forecasts of 2.2 per cent.

It finished at *DM2.5165* against the D-Mark from DM2.5094 on Tuesday.

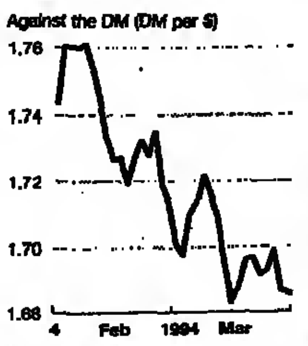
In the futures market, sterling *contracts* eased *across* the yield curve showing the market believes rates may be close to bottoming. The June contract *lost two basis points* to 94.83 while the December future was seven points lower at 94.39.

In the discount market, the Bank of England offered a £365m round of late assistance after forecasting a fairly small *shortage of £750m.*

Analysts said the delay in *clearing the shortage* was probably the result of banks *holding back bills earlier in the day* because of interest rate speculation.

Dollar

Against the DM (DM per $)



Source: FT Graphite

■ Pound in New York

Mar 23	Latest	Prev. close
£ spot	1.4950	1.4880
1 mth	1.4930	1.4860
3 mth	1.4902	1.4836
1 yr	1.4845	1.4787

■ OTHER CURRENCIES

Mar 23	£	$
Hungary	154.217 - 154.418	103.280 - 103.380
Iran	2597.00 - 2603.00	1748.00 - 1750.00
Kuwait	0.4445 - 0.4454	0.2977 - 0.2982
Poland	32928.0 - 32939.07	22052.0 - 22057.0
Russia	2578.58 - 2585.93	1735.00 - 1740.00
U.A.E.	5.4793 - 5.4905	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Mar 23		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.7280	+0.0837	213 - 347	17.7347	17.6522	17.7242	0.3	17.7188	0.2	-	-	113.8
Belgium	(BFr)	51.9208	+0.1413	977 - 434	52.9588	51.8128	51.9656	-1.0	52.0406	-0.9	52.2406	-0.8	114.8
Denmark	(DKr)	9.9024	+0.0436	992 - 055	9.9055	9.8478	9.9114	-1.1	9.9261	-1.0	9.9609	-0.6	114.5
Finland	(FM)	8.2981	+0.0494	892 - 069	8.3069	8.2340	-	-	-	-	-	-	81.0
France	(FFr)	8.5996	+0.0227	959 - 033	8.6033	8.5711	8.6089	-1.3	8.6243	-1.2	8.6493	-0.6	108.3
Germany	(DM)	2.5165	+0.0071	153 - 178	2.5220	2.5081	2.5182	-0.8	2.5208	-0.7	2.5218	-0.2	123.6
Greece	(Dr)	368.658	+2.012	372 - 944	368.944	366.716	-	-	-	-	-	-	-
Ireland	(I£)	1.0392	+0.001	383 - 401	1.0411	1.0379	1.04	-1.0	1.0415	-0.9	1.0478	-0.8	102.8
Italy	(L)	2487.72	+3.18	818 - 925	2489.25	2478.00	2495.02	-3.5	2507.82	-3.2	2558.57	-2.8	75.7
Luxembourg	(LFr)	51.9208	+0.1413	977 - 434	52.9588	51.8128	51.9656	-1.0	52.0406	-0.9	52.2406	-0.8	114.9
Netherlands	(Fl)	2.8309	+0.0083	298 - 321	2.8362	2.8205	2.8316	-0.3	2.8324	-0.2	2.8289	0.1	118.5
Norway	(NKr)	10.9458	+0.0385	425 - 491	10.9491	10.8984	10.9402	0.6	10.9527	-0.3	10.9439	0.0	84.9
Portugal	(Es)	259.413	+0.814	220 - 605	259.605	257.642	260.388	-4.5	262.339	-4.5	-	-	-
Spain	(Pta)	206.134	+0.377	062 - 205	206.205	205.533	206.714	-3.4	207.716	-3.1	211.534	-2.6	85.3
Sweden	(SKr)	11.7389	+0.0341	313 - 465	11.7465	11.6683	11.7589	-2.0	11.7944	-1.9	11.9034	-1.4	76.7
Switzerland	(SFr)	2.1312	+0.0062	300 - 323	2.1336	2.1247	2.1297	0.8	2.1261	1.0	2.1058	1.2	118.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.6
Ecu	-	1.3065	+0.0041	057 - 073	1.3073	1.3012	1.308	-1.4	1.3104	-1.2	1.3148	-0.6	-
SDR	-	0.941889	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4833	+0.0086	929 - 938	1.4936	1.4865	-	-	-	-	-	-	-
Brazil	(Cr)	1245.87	+27.82	566 - 608	1246.08	1218.00	-	-	-	-	-	-	-
Canada	(C$)	2.0354	+0.006	345 - 362	2.0362	2.0227	2.0334	1.1	2.0315	0.8	2.0337	0.1	86.4
Mexico	(New Peso)	4.9695	+0.0353	612 - 778	4.8778	4.9509	-	-	-	-	-	-	-
USA	($)	1.4935	+0.0073	932 - 937	1.4937	1.4865	1.4918	1.5	1.4889	1.2	1.4838	0.6	66.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1021	+0.0084	010 - 032	2.1032	2.0855	2.1006	0.9	2.0983	0.7	2.0963	0.3	-
Hong Kong	(HK$)	11.5373	+0.0557	350 - 396	11.5398	11.4840	11.5243	1.4	11.5189	0.6	11.4698	0.6	-
India	(Rs)	46.8498	+0.2293	380 - 611	46.8611	46.6350	-	-	-	-	-	-	-
Japan	(Y)	158.948	+1.403	847 - 049	159.049	157.430	158.589	2.7	157.858	2.7	154.683	2.7	183.0
Malaysia	(M$)	4.0674	+0.0179	660 - 688	4.0688	4.0467	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6185	+0.0127	164 - 205	2.6205	2.6050	2.6214	-1.3	2.6257	-1.1	2.6343	-0.6	-
Philippines	(Peso)	41.1820	+0.1999	137 - 502	41.5695	40.6600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6005	+0.0273	992 - 017	5.6017	5.5745	-	-	-	-	-	-	-
Singapore	(S$)	2.3688	+0.0115	878 - 893	2.3893	2.3573	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.1508	+0.0295	486 - 525	5.1525	5.1232	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9298	+0.0745	210 - 382	6.9382	6.8693	-	-	-	-	-	-	-
South Korea	(Won)	1206.64	+5.34	636 - 691	1206.91	1201.09	-	-	-	-	-	-	-
Taiwan	(T$)	39.4348	+0.1892	205 - 488	39.4488	39.2600	-	-	-	-	-	-	-
Thailand	(Bt)	37.7843	+0.1834	630 - 055	37.8055	37.6210	-	-	-	-	-	-	-

†SDR rate for Mar 22. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.8705	-0.015	680 - 730	11.9020	11.8640	11.8915	-2.1	11.918	-1.6	11.9215	-0.4	103.3
Belgium	(BFr)	34.7655	-0.0745	560 - 750	34.9420	34.7000	34.8455	-2.8	34.9605	-2.2	35.2255	-1.3	104.4
Denmark	(DKr)	6.6305	-0.0031	295 - 315	6.6397	6.6189	6.6477	-3.1	6.6697	-2.4	6.7145	-1.3	103.5
Finland	(FM)	5.5563	+0.0061	513 - 613	5.5753	5.5326	5.562	-1.2	5.5665	-0.7	5.5743	-0.3	78.0
France	(FFr)	5.7582	-0.0128	567 - 597	5.7780	5.7567	5.7718	-2.8	5.792	-2.3	5.8257	-1.2	104.7
Germany	(D)	1.6850	-0.0035	845 - 855	1.6923	1.6845	1.6882	-2.3	1.6929	-1.9	1.6984	-0.8	105.0
Greece	(Dr)	246.850	+0.15	700 - 000	247.400	246.700	250.75	-18.0	257.5	-17.3	286.8	-16.1	71.0
Ireland	(I£)	1.4371	+0.0055	361 - 381	1.4381	1.4288	1.4339	2.7	1.4295	2.1	1.4156	1.5	-
Italy	(L)	1665.75	-8	500 - 650	1672.50	1665.00	1673.25	-5.4	1684.75	-4.8	1725.5	-3.6	76.4
Luxembourg	(LFr)	34.7655	-0.0745	560 - 750	34.9420	34.7000	34.9455	-2.8	34.9606	-2.2	35.2255	-1.3	104.4
Netherlands	(Fl)	1.8955	-0.0037	950 - 960	1.9050	1.8950	1.8987	-2.1	1.9025	-1.5	1.9075	-0.6	103.8
Norway	(NKr)	7.3292	-0.0099	282 - 302	7.3518	7.3232	7.3392	-1.6	7.3529	-1.3	7.3682	-0.5	95.0
Portugal	(Es)	173.700	-0.3	600 - 800	174.150	173.100	174.74	-7.2	176.2	-5.8	181.425	-4.4	92.9
Spain	(Pta)	138.025	-0.42	000 - 050	138.500	138.000	138.625	-5.2	139.545	-4.4	142.655	-3.4	80.6
Sweden	(SKr)	7.8603	-0.0154	565 - 640	7.8890	7.8438	7.8873	-4.1	7.9251	-3.3	8.0303	-2.2	82.0
Switzerland	(SFr)	1.4270	-0.0028	265 - 275	1.4333	1.4265	1.4276	-0.7	1.428	-0.3	1.4191	0.6	104.5
UK	(£)	1.4935	+0.0073	932 - 937	1.4937	1.4865	1.4918	1.5	1.4889	1.2	1.4838	0.6	89.0
Ecu	-	1.1431	+0.002	426 - 436	1.1436	1.1402	1.1402	3.1	1.1361	2.4	1.1282	1.3	-
SDR	-	1.40040	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0009	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(Cr)	834.223	+14.518	220 - 225	834.230	834.220	-	-	-	-	-	-	-
Canada	(C$)	1.3629	-0.0028	625 - 632	1.3666	1.3598	1.3637	-0.7	1.3653	-0.7	1.374	-0.8	84.6
Mexico	(New Peso)	3.3275	+0.0075	225 - 325	3.3325	3.3225	3.3285	-0.4	3.3303	-0.3	3.3377	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.2
Pacific/Middle East/Africa													
Australia	(A$)	1.4078	-0.0012	071 - 081	1.4114	1.4015	1.4088	-1.1	1.4135	-1.7	1.4241	-1.2	67.3
Hong Kong	(HK$)	7.7253	-0.0002	250 - 255	7.7264	7.7250	7.7283	-0.5	7.7343	-0.5	7.7691	-0.4	-
India	(Rs)	31.3700	+0.0012	675 - 725	31.3725	31.3675	31.435	-2.5	31.57	-2.8	-	-	-
Japan	(Y)	106.430	+0.425	380 - 480	106.480	105.890	106.325	1.2	106.015	1.6	104.18	2.1	144.8
Malaysia	(M$)	2.7235	-0.0012	230 - 240	2.7268	2.7208	2.7185	3.1	2.701	3.3	2.7635	-1.5	-
New Zealand	(NZ$)	1.7533	-	522 - 544	1.7578	1.7507	1.7545	-0.9	1.759	-1.3	1.7809	-1.8	-
Philippines	(Peso)	27.5750	-	000 - 500	27.7500	27.4000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7500	-	499 - 502	3.7502	3.7498	3.7507	-0.2	3.753	-0.3	3.7845	-0.4	-
Singapore	(S$)	1.5860	-	857 - 862	1.5862	1.5850	1.5853	0.5	1.5848	0.3	1.5834	0.2	-
S Africa (Com.)	(R)	3.4488	+0.003	480 - 495	3.4512	3.4450	3.4853	-5.7	3.4913	-4.9	3.5843	-3.8	-
S Africa (Fin.)	(R)	4.8400	+0.0275	350 - 450	4.6550	4.6150	4.674	-8.8	4.734	-8.1	-	-	-
South Korea	(Won)	807.950	-0.35	900 - 000	808.200	807.700	810.95	-4.5	814.45	-3.2	832.95	-3.1	-
Taiwan	(T$)	26.4050	-0.015	000 - 100	26.4300	26.4000	26.4705	-3.0	26.571	-2.5	-	-	-
Thailand	(Bt)	25.3000	-	900 - 100	25.3100	25.2900	25.38	-3.8	25.505	-3.2	26.025	-2.9	-

†SDR rate for Mar 22. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Mar 22. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar.23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.07	16.56	4.846	2.001	4792	5.453	21.09	499.6	397.0	22.61	4.104	1.926	3.919	2.878	306.0	2.517
Denmark	(DKr)	52.43	10	8.665	2.541	1.049	2519	2.859	11.06	262.0	208.1	11.86	2.152	1.010	2.055	1.508	160.5	1.320
France	(FFr)	60.37	11.51	10	2.926	1.208	2893	3.292	12.73	301.6	239.7	13.65	2.478	1.163	2.366	1.738	184.8	1.520
Germany	(DM)	20.64	3.936	3.418	1	0.413	988.9	1.125	4.352	103.1	81.92	4.666	0.847	0.397	0.808	0.593	63.18	0.518
Ireland	(I£)	49.97	9.530	8.277	2.422	1	2395	2.725	10.54	249.7	198.4	11.30	2.051	0.962	1.959	1.437	152.9	1.256
Italy	(L)	2.087	0.398	0.346	0.101	0.042	100.	0.114	0.440	10.43	8.284	0.472	0.086	0.040	0.082	0.060	6.387	0.053
Netherlands	(Fl)	18.34	3.498	3.038	0.889	0.367	878.8	1	3.868	91.63	72.80	4.147	0.753	0.353	0.719	0.527	56.13	0.462
Norway	(NKr)	47.42	9.043	7.854	2.298	0.949	2272	2.585	10	236.9	188.2	10.72	1.946	0.913	1.858	1.363	145.1	1.194
Portugal	(Es)	20.02	3.817	3.316	0.970	0.401	959.1	1.091	4.221	100.	79.45	4.526	0.822	0.386	0.785	0.576	61.26	0.504
Spain	(Pta)	25.19	4.804	4.173	1.221	0.504	1207	1.374	5.313	125.9	100.	5.696	1.034	0.485	0.987	0.724	77.10	0.634
Sweden	(SKr)	44.22	8.434	7.325	2.143	0.885	2119	2.411	9.327	221.0	175.6	10	1.815	0.852	1.733	1.272	135.3	1.113
Switzerland	(SFr)	24.36	4.947	4.036	1.181	0.488	1168	1.328	5.138	121.7	96.72	5.509	1	0.469	0.955	0.701	74.57	0.613
UK	(£)	51.92	9.902	8.600	2.516	1.039	2488	2.831	10.95	259.4	206.1	11.74	2.131	1	2.035	1.493	158.9	1.307
Canada	(C$)	25.61	4.866	4.226	1.236	0.511	1223	1.391	5.381	127.5	101.3	5.769	1.047	0.491	1	0.734	78.08	0.642
US	($)	34.78	6.632	5.760	1.685	0.696	1666	1.896	7.334	173.7	138.0	7.863	1.427	0.670	1.363	1	106.4	0.875
Japan	(Y)	326.7	62.32	54.12	15.83	6.539	15656	17.82	68.91	1632	1297	73.86	13.41	6.293	12.81	9.396	1000.	8.225
Ecu		39.72	7.578	6.580	1.925	0.795	1904	2.166	8.378	198.5	157.7	8.982	1.630	0.765	1.557	1.142	121.8	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5899	0.5895	-0.0007	0.5904	0.5888	46,476	94,511
Sep	0.5878	0.5878	-0.0006	0.5878	0.5877	28	2,645
Dec	-	0.5874	-	-	0.5874	3	118

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9461	0.9432	-0.0033	0.9475	0.9428	11,646	48,231
Sep	0.9498	0.9480	-0.0019	0.9498	0.9480	140	1,883
Dec	-	0.9556	-	-	0.9556	10	394

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6990	0.6986	-0.0009	0.6997	0.6970	18,040	32,856
Sep	0.6991	0.6990	-0.0012	0.7010	0.6985	26	267
Dec	-	0.7020	-	0.7020	0.7010	4	41

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.4838	1.4850	+0.0018	1.4862	1.4820	13,481	24,512
Sep	1.4806	1.4850	[illegible]	1.4830	1.4806	27	629
Dec	-	1.4810	-	1.4810	[illegible]	15	33

EMS EUROPEAN CURRENCY UNIT RATES

Mar 23	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.796375	-0.001522	-1.52	4.59	10
Netherlands	2.19672	2.16904	+0.00098	-1.28	4.32	-
Germany	1.94964	1.92903	+0.00074	-1.06	4.11	-
Belgium	40.2123	39.8018	+0.0628	-1.02	4.07	7
France	6.53883	6.58786	+0.00174	0.75	2.24	-6
Denmark	7.43679	7.57210	-0.0014	1.83	1.18	-19
Spain	154.250	157.871	-0.274	2.35	0.65	-18
Portugal	192.854	198.658	+0.088	3.01	0.00	-20
NON ERM MEMBERS						
Greece	264.513	282.195	+0.478	6.68	-3.44	-
Italy	1793.18	1908.48	-0.39	6.32	-3.11	-
UK	0.786748	0.767109	-0.001896	-2.50	5.65	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
1.400	8.62	8.55	8.61	-	0.05	0.24
1.425	6.21	6.30	6.51	-	0.23	0.57
1.450	3.87	4.23	4.61	0.14	0.65	1.15
1.475	1.94	2.53	3.04	0.66	1.44	2.05
1.500	0.69	1.38	1.90	1.90	2.67	3.30
1.525	0.18	0.65	1.09	3.81	4.42	4.96

Previous day's vol., Calls 17,859 Puts 5,289 . Prev. day's open int., Calls 610,475 Puts 428,433

UK INTEREST RATES

LONDON MONEY RATES

Mar 23	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 7/8 - 5	5 7/16 - 5 1/8	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5 5/16 - 5 3/16	5 7/16 - 5 5/16
Sterling CDs	-	-	5 1/8 - 5 1/16	5 1/8 - 5 1/16	5 1/4 - 5 1/8	5 5/16 - 5 3/16
Treasury Bills	-	-	4 29/32 - 4 25/32	4 3/4 - 4 11/16	-	-
Bank Bills	-	-	4 31/32 - 4 15/16	4 31/32 - 4 15/16	4 31/32 - 4 15/16	-
Local authority deps.	5 1/16 - 4 13/16	5 3/16 - 5 1/16	5 1/8 - 5	5 3/16 - 5 1/16	5 5/16 - 5 1/16	5 7/16 - 5 5/16
Discount market deps.	5 3/8 - 5 1/8	5 3/16 - 5 1/8	-	-	-	-

UK clearing bank base lending rate 5 1/4 per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1 1/2	4	3 3/4	3 3/4	3 1/2

Certs of Tax dep. under £100,000 is 1 1/2pc. Deposits withdrawn for cash 1/2pc.
Ave. tender rate of discount 4.8056pc. ECGD fixed rate Stlg. Export Finance. Make up day February 28, 1994. Agreed rate for period Mar 26, 1994 to Apr 25, 1994, Schemes II & III 6.50pc. Reference rate for period Feb 1, 1994 to Feb 28, 1994, Schemes IV & V 5.285pc. Finance House Base Rate 5 1/2pc from Mar 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.88	94.83	-0.02	94.91	94.82	29590	117251
Sep	94.74	94.67	-0.03	94.79	94.65	19403	77184
Dec	94.49	94.39	-0.07	94.54	94.39	18206	105769
Mar	94.21	94.07	-0.09	94.24	94.07	4340	34641

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

BASE LENDING RATES

MONEY RATES

■ $ LIBOR FT London Interbank Fixing

EURO CURRENCY INTEREST RATES

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

■ THREE MONTH EUROLIRA INT. RATE FUTURES (LIFFE) L1000m points of 100%

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 23 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Mar 23 / Frs.)

[illegible]

DENMARK (Mar 23 / Kr)

[illegible]

FINLAND (Mar 23 / Mks)

[illegible]

FRANCE (Mar 23 / Frs.)

[illegible]

GERMANY (Mar 23 / Dm.)

[illegible]

ITALY (Mar 23 / Lire)

[illegible]

NETHERLANDS (Mar 23 / Fls.)

[illegible]

NORWAY (Mar 23 / Kroner)

[illegible]

SPAIN (Mar 23 / Pts.)

[illegible]

SWEDEN (Mar 23 / Kronor)

[illegible]

SWITZERLAND (Mar 23 / Frs.)

[illegible]

PACIFIC

JAPAN (Mar 23 / Yen)

[illegible]

HONG KONG (Mar 23 / H.K.$)

[illegible]

MALAYSIA (Mar 23 / MYR)

[illegible]

SINGAPORE (Mar 23 / S$)

[illegible]

AUSTRALIA (Mar 23 / Aust$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Mar 23 / Can $)
4 pm close

[illegible]

MONTREAL (Mar 23 / Can $)
4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Mar 23 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are 1993-94, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, March 23, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Seikitokyu Kogyo	7.0m	646	-5	Sumitomo Coal	4.5m	856	+45
Nippon Steel	7.0m	342	-8	Sanyo Electric	4.4m	506	-11
Hanwa	6.4m	569	-54	Kawasaki Steel	4.3m	365	-4
Tokyo Theatres	6.1m	410	-5	Sumitomo Mtl Ind	3.9m	279	+5
Honshu Paper	5.1m	751	-47	Hitachi	3.7m	950	-19

INDICES

[illegible]

US INDICES

[illegible]

■ RATIOS

[illegible]

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

[illegible]

■ NEW YORK ACTIVE STOCKS

[illegible]

■ TRADING ACTIVITY

[illegible]

■ CAC-40 STOCK INDEX FUTURES (MATIF)

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close March 23

1993/94 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅛	11½	AAR	0.48	2.8	566	17	17	10⅞	17	+⅛
29⅜	12¾	A L Labs A	0.18	1.1	39	341	18⅞	19⅛	16⅞	+⅝
27¼	54⅛	AMP	1.68	2.8	22	1630	64⅛	63¼	63⅝	+⅜
72¾	55½	AMR			29	5698	62	61⅛	61⅜	+⅛
5	1¾	ARX			18	807	45	4⅞	4⅞	
56⅛	29⅞	ASA	2.00	4.4	30	807	45⅞	46	45⅝	+⅜
30¾	22⅝	Abbott L	0.78	2.7	16	8218	28¾	30⅛	28⅛	-⅜
13¾	8¼	Abitibi Pr	0.80	3.8	8	43	13¼	13	13	-⅜
15⅝	8¼	Acptmceln			21	11	11½	11⅜	11½	+⅛
36	25½	ACE Ltd	0.46	1.5	4	773	27⅛	27	26¾	-⅛
12⅝	10¾	ACM Gvt In	1.09	8.3		362	11⅞	11⅛	11¾	
10⅛	8⅝	ACM GvOpp	0.56	9.2		79	8¾	8½	8⅝	-⅛
10⅝	8¾	ACM Gvt Sp	0.98	10.2		199	9½	9⅜	9⅜	-⅛
12¼	10½	ACM Gvt Se	1.09	10.1		58	11	10⅞	10⅞	-⅛
12¼	9⅝	ACM Man	1.06	10.8		160	18	9¾	19	+¼
9⅜	8½	ACM Managd	0.72	8.3		93	8⅝	8½	8⅝	+⅛
12⅝	7¾	AcmeClv	0.44	4.8	11	21	9⅝	9⅛	9⅝	+¼
11⅞	8⅜	Acme Elect			35	91	8⅛	7⅝	8⅛	+⅛
28¼	18⅜	Acordia	0.60	2.2	14	24	27⅞	21¼	27⅞	+¼
9¼	6⅛	Actava x	0.36	5.1	2	400	7⅛	6⅞	7	+⅛
16	10⅛	Acuson			97	100	12¾	12½	12⅝	
21⅞	17⅜	Adams Expr	0.36	2.0	0	248	17¾	17½	17⅝	-⅛
66¼	45½	Adv Micro	3.00	4.8		350	63⅛	61⅞	62	-1⅛
00¾	18⅛	AdvMic	3.00	9.8	13	8790	21¼	30⅝	30⅝	-⅝
8⅛	5½	Advest Grp	0.16	2.4	19	210	6⅝	6⅜	6⅝	+⅛
24¾	14¼	Aequo Inc	0.10	0.5	123	239	18¾	18⅜	18½	
50½	41⅛	Aegon ADR	1.23	2.5	11	198	50¾	58	00	-⅜
66¼	43⅜	Aetna L	2.76	4.9	10	1971	57¼	56½	56½	-½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

4 pm close March 23

NYSE COMPOSITE PRICES

1993/94 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
Continued from previous page										
24¾	13⅛	SDyNX x	0.36	2.6	7	845	13⅞	13⅝	13⅞	-¼
26½	10⅞	Safeway			26	3414	u27	26¼	26¾	+⅞
0¼	2	SafewayWBS				204	u6⅞	6¼	6⅞	+⅛
57⅞	37½	StJoePaper x	0.20	0.33	01	228	57⅛	56¾	57¼	+⅛
37⅞	28	StJosLAP	1.00	0.0	15	7	29⅞	29⅝	29⅞	+¼
89	75	StPaul	3.00	3.8	0	817	78⅞	78½	78¾	-⅛
11⅛	6⅛	Salant Crp			10	125	9¼	7⅞	9¼	+¼
75¼	39⅞	Sallie Mae	1.40	3.1	8	1160	45	44¼	44⅝	+⅛
14⅞	12⅝	Salomon Br	0.34	2.5		200	13½	13⅛	13½	
52¾	34	Salomn x	0.64	1.2	7	2034	52½	52⅛	52¼	
27¼	22⅛	SnDgGE	1.52	6.6	12	397	23⅛	22⅞	23	+⅛
11⅞	8⅛	SantaFeERs	0.16	1.6	10	980	10	9⅞	9⅞	
40¾	35¾	SantaFePac	2.80	7.2	18	32	39⅛	38¾	39⅛	+⅛
26¼	12¾	SanFeP	0.16	0.4	15	2026	24⅛	24½	24½	-⅜
31⅛	21	SaraLee	0.64	3.0	14	9172	22⅛	21⅝	21⅛	-⅛
52¼	40⅛	Scana Corp	2.82	9.8	12	146	47⅛	46¾	47⅞	+¼
25¾	16⅞	Scecorp	1.42	0.2	12	5882	17⅞	17⅛	17¼	-⅛
40½	23⅞	ScheringRP			30	540	39⅝	38⅞	39⅛	-⅛
71	51¾	SchrPl	1.00	3.2	13	6451	58¼	56¾	56¾	-¾
68⅞	54⅝	Schlmb	1.20	2.1	22	3736	58¼	57½	57½	-⅝
38⅞	16½	Schwab(C)	0.28	0.9	14	1347	31¼	30¾	31¼	+¼
9⅞	5⅝	Schwitzer			28	521	u10⅝	0¼	10⅛	+½
38⅞	17¼	SciAtl	0.12	0.4	64	2389	32½	31¼	32¼	+¾
16⅞	9⅛	Scotsman	0.10	0.6	14	312	15½	16¼	15½	+¼
48¾	31	ScottP	0.80	1.8	11	1228	46⅞	45⅞	45⅞	-½
38⅝	14¼	ScudderNAsF	0.21	0.9		81	23⅞	23	23⅞	+½
12⅛	7½	ScudderNEuF	0.16	1.4		238	11⅝	11¼	11⅛	+¼
31½	18¾	SeaCnB	0.70	4.1	6	z100	17⅛	17¼	17⅛	-⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NASDAQ NATIONAL MARKET

4 pm close March 23

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMEX COMPOSITE PRICES

4 pm close March 23

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Price data supplied by Telekurs

AMERICA

US stocks rally after a hesitant beginning

Wall Street

After a day of hesitation, US stocks rallied yesterday amid relief tbat tbe Federal Reserve's move to tigbter money brought only a modest increase io interest rates, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 18.71 higber at 3,881.26, while the more broadly based Standard & Poor's 500 was 1.53 better at 470.33. *In the secondary markets*, the American SE composite added 0.47 to 472.20, and the Nesdaq composite 2.63 to 798.97. NYSE volume at 1 pm was 163m shares.

With the Fed's decision to push up rates out of the way, equity investors were free to count their blessings, whicb include buoyant economic growtb and strong corporate profits.

The Fed's action, while clearing the air, was not expected to alter the favourable outlook.

The day's economic news had the potential to unsettle the rosy mood. The Commerce *Department* said the orders of durable goods last montb slumped by 2.5 per cent, much worse than the consensus forecast of analysts, who saw a half-point decline. However, investors chose to ignore the data, partly because most of the decrease was conceotrated in the *aircraft sector, limiting* its negative implications for the economy as a whole.

The shift in attention away from interest retes wes reflected in the performance of stocks most expected to benefit from an expanding economy, including heavy equipment, paper and automobiles.

Ceterpillar powered $2⅞ ahead to $121¼, International Paper climbed $1⅞ to $70⅞ and *General Motors gained* $1¼ to $60⅞. Ford fared even better, *jumping* $2¼ to $63⅞.

International Business Machines was a notable loser, thanks to reports raising concern over the company's mounting debt-to-equity ratio. The stock slumped $1 to $57¼.

In financial services, Lomas gained $1⅝, or 22 per cent, to $9 on heavy volume of nearly 1.8m shares. The mortgage banking concern disclosed that it would consider a merger with or acquisition by another company.

Shares in Rubbermaid fell sharply after its chairman warned tbat the consumer-prodncts company would fail to meet its first quarter earnings projections of 35 cents e share. The announcement was followed by a downgrading by at least one securities house, but the stock regained its stride near midday, trading at $29⅝, down $⅝ on the session.

Philip Morris rebounded from a sell-off the previous session on news of congressional action to boost cigarette taxes. The stock added $1 to $53¼, recovering some of Tuesday's $1⅞ decline.

Mexico

Equities were boosted hy a decline in domestic interest rates at the weekly auction and strong demand for Telmex.

The IPC index gained 40.06 or 1.6 per cent to 2,551.98.

Interest rates eased across the board in the weekly Cetes auction, with the 28-day paper slipping to 9.34 per cent.

Canada

Toronto was firmer et midday as equities took a boost from strength in other financial markets. Strong gains in precious metals and communications overcame losses in *conglomerates and real estate.*

The TSE 300 composite index *jumped 21.89 to 4,573.77 in volume* of 42.9m shares.

Among the actives, John Labatt was up C$¼ at C$22¼ after an analyst's report said the stock was undervalued.

EUROPE

M3 scare hits bourses after good start

Bourses had a good morning, *but lost some of their gains* later in the day, *writes Our Markets Staff.* The turnround in sentiment coincided with speculation on the forthcoming German M3 figures for February; scaremongers were talking of a figure of up to 30 per cent although, said Mr Anthony *Thomas* of *Kleinwort Benson*, the Bundesbank yesterday seemed to be steering opinion into the 15 to 20 per cent area.

FRANKFURT extended the aggrandisement of German cyclicals as the Dax index rose 19.79 to 2,161.13. Turnover rose from DM7.6bn to DM9.1bn.

The winners came mainly in carmakers, chemicals, steels and *engineers*. Daimler rose DM13.50 to DM859.50, and to *DM865 after hours*. Bayer put on DM7 to DM388.50.

Mr Hans Peter Wodniok, of Robert Fleming in Frankfurt, said that indications from companies and industry associations were that the German economy was either at the bottom, or just past the bottom of the economic cycle. Car orders in February, for example, have just shown a marginal pickup.

The immediate recovery prospect is reflected in a Dax 1994 p/e of 31½, falling to 22.8 on Fleming's 1995 forecast of a further 38 per cent rise in earnings next year.

FT-SE Actuaries Share Indices

Mar 23							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1449.46	1448.60	1447.53	1448.49	1446.44	1447.86	1446.79	1445.73
FT-SE Eurotrack 200	1487.07	1485.20	1485.53	1482.02	1480.33	1481.55	1480.74	1478.00

	Mar 22	Mar 21	Mar 18	Mar 17	Mar 16
FT-SE Eurotrack 100	1438.48	1436.71	1445.51	1461.89	1466.26
FT-SE Eurotrack 200	1477.51	1479.54	1485.49	1503.36	1504.22

Base value 1000 (26/10/90); High/day: 100 - 1449.83, 200 - 1487.55 Low/day: 100 - 1445.73 200 - 1477.12.

ZURICH was led higher by financials on the Fed's overnight moves and the view that the sector's recent weakness had been overdone. The SMI index rose 32.3 to 2,857.0.

Drugs stocks were also et the *centre of attention. Sandoz* certificates rose SFr60 to SFr3,920: *US drugs stocks tumbled* on Wall Street overnight amid fears of a price war after news that the Swiss group's US subsidiary was to sell its new cholesterol drug et about half the price of rivals.

Mrs Birgit Kulhoff at UBS commented that Sandoz was currently overshadowed hy Roche and was unjustifiably neglected by investors. She expected annual earnings growth of 14 per cent over the next two years, compared with the forecast sector average of 8-9 per cent.

The recently weak Ciba registered rose another SFr16 to SFr871 in continued response to its US subsidiary's plans to market a rival to Glaxo's Zantac anti-ulcer drug.

Among financials, UBS, the day's most active stock, rose *SFr33* to *SFr1,220*, CS Holding bearers SFr17 to SFr653 and *SBC bearers SFr11* to *SFr423*.

PARIS saw the CAC-40 index et 2,225 level in early trading, before selling set in ahead of today's end of the March account. By the close it was barely changed, off 0.51 at 2,200.17, and turnover was slack et just FFr3.6bn.

One of the few performers was Société Générale, up FFr7 at FFr650 ahead of results due after the close on Friday.

UAP lost 90 centimes to FFr189 following its results earlier this week. James Capel yesterday maintained its huy recommendation on the stock. Tha hrokers noted that restructuring at Banque Worms and a strong contribution from foreign insurance operations led them to maintain a positive stance on the insurer. "However, after announcing that the group intends to launch a capital increase in conjunction with the group's *imminent privatisation*, the shares are likely to consolidate et current levels in the short-term".

AMSTERDAM was supported hy strong performances from the hlue chips, and the AEX index put on 1.05 at 415.38.

KNP BT, the paper manufacturer, which said that it expected a good result in 1994 after a 1993 net loss, rose initially to a session high of Fl 50.40 before *falling off* to *close 30 cents* ahead et Fl 49.90. The group added that the *performance* would be dependent on European economic recovery.

Other strong performances were seen by the chemical groups, DSM and Akzo Nobel, which improved respectively hy Fl 3.80 and Fl 1.80 to Fl 126.10 and Fl 224.80.

MILAN slipped back from a firm opening as profits were taken in some of the recently strong industrial stocks. The Comit index rose 6.62 to 671.30.

Olivetti, still awaiting news on the granting of Italy's second cellular telephone licence, fell L58 to L2,535: some analysts said that success was already discounted in the share price. Fiat, leading the rival consortium, slipped L21 to L4,978.

Telecoms were mixed, Stet adding L41 to L5,003 but Sip giving up L49 to L4,384. Salomon Brothers *commented* that the restructuring of the industry could take Stet shares as high as L6,900; the benefit from unification would be significant and Telecom Italia would emerge as a new European leader. The rastructuring should also take Sip close to the L6,500 mark.

ISTANBUL declined by a further *8 per cent* in reaction to the downgrading of the country's debt by *Standard* and Poor's, the credit rating agency. The composite index fell 1,171 to 13,667.

The country was also placed on credit watch, which suggested that its rating may be lowered further.

Written and edited by William Cochrane, John Pitt and Michael Morgan

Kenya equities enlivened by economic reforms

But foreigners remain absent, says **Leslie Crawford**

Nairobi's stock exchange has suddenly sprung to life, thanks to economic reforms whicb have opeoed new horizons for the private sector in Kenya.

The NSE index of tbe 20 *most traded shares has almost* doubled since early January: itbegan 1994 at the 2,500 mark, and soared to 5,115 in mid-February before gliding down to the 4,700 level this week on a spate of profit-taking.

Volume has increased fivefold in as many months and more than 200,000 shares have been traded every day this month *so far, boosting daily* turnover to Ks15m ($230,000).

As a result of the share price explosion, Nairobi's stock exchange bas overtaken Egypt, Nigeria, Tunisia and Zimbabwe in terms of market capitalisation. It is curreotly valued et $1.8bn, against an estimated $1.4bn for Egypt, its closest regional rival.

It is almost too mucb excitement for the tiny bourse to bear. The NSE's cramped offices in downtown Nairobi are packed with investors who come to track the progress of their shares during the open-cry morning trading sessions. Sometimes, the mayhem in the visitors' gallery is greater than on the small trading floor, where six brokers cooduct all the transactions. Deals are recorded on a blackboard – computerisation, say NSE officials, is still some years away.

Several factors have contributed to the trading revival. Over the past year, the government has taken major steps to liberalise tbe economy: the shilling was devalued and then floated last year; most foreign exchange controls have been lifted; import liceoses and price *controls* have been scrapped.

The reforms have radically improved the business environment for Kenyan companies, particularly exporters. In addition, the banking sector enjoyed a good 1993 owing to high interest rates and exceptionally high yields on government bonds.

Mr Larry Sutcliffe of the Nairobi stockbrokers, F Drummond, says that investors *switched from boods into equities* when inflation, and therefore interest rates, began to fall late last year. He also believes that speculators hid up share prices in anticipation of tha imminent entry of foreign investment funds.

This has yet to happen. At present, direct foreign investors are free to remit capital and dividends ahroad. But foreign portfolio investors require prior authorisation from the central bank and must channel their investments through a local trust fund.

These restrictions have kept foreign investors at hey, although several regional and emerging market funds are charting Nairobi's progress. Mr *William Chelashaw*, who heads Kenye's capital markets authority, says: "We are confideot the market will be opened up in time, but there is no immediate rusb to attract foreign capital".

Most analysts believe that foreign funds are unlikely to invest on the NSE until the market becomes considerably more liquid. "At present, only about 3 per cent of distributed equity is traded," says Mr Sutcliffe. "Prices have also risen because of the scarcity of stock".

Price/earnings *ratios have* climbed to the mid-20s for the most actively traded shares. This, say some brokers, is too *high for a bourse which has* yet to catch the peripheral *attention of emerging market* funds.

The NSE is also narrow as well as illiquid. Of the 54 quoted companies, eight, including three banks, account for almost 80 per cent of market capitalisation.

But they have strong points, according to Middle Africa *Investments*, a local company of financial advisers. It says: "*Quality management*, multinational support, low levels of debt and the growing importance of exports".

BAT Kenya, the largest company on the NSE, has seen its share price rise sevenfold during the past 12 months. Shares in Brooke Bond Kenya, a Unilever *subsidiary, have risen* fourfold. Both companies are *major exporters and have benefited* from the economic reforms.

The favourite financial stocks, such as Barclays Bank, Standard Chartered Bank and Diamond Trust of Kenya, have also seen equity quadruple in value.

In spite of the NSE's recent decline, there is e sense of anticipation in the air. The NSE will soon move to more *spacious premises*, which will be enlivened by the addition of newly licensed brokers. The capital markets authority says thet it is determined to inject a little competition into the brokerage business, in spite of mucb grumbling and resistance from the six brokers who own the NSE et present.

Still to come are new rules to regulate the market, clarifying relations between client and hroker and between brokers. The CMA also wants to tighten market *surveillance* and introduce more transparency into share *transactions. The entry of foreign* investmeot funds could *follow.*

● **The IFC index of emerging markets has been held over this week.**

ASIA PACIFIC

Pacific Rim recovers again as Tokyo falls

Tokyo

Heavy profit-taking ahead of the March 31 book closing left the Nikkei index 1.4 per cent lower, for its fourth consecutive daily decline, *writes Emiko Terazono in Tokyo.*

The Nikkei lost 291.43 to 19,962.10, breaching 20,000 for *the first time* in nine days. The index rose to a high of 20,322.03 in the morning session, but steadily lost ground on profit-taking, hitting a low of 19,937.99 just before the close.

Tuesday's plunge in the bond market triggered selling of equities by investors hoping to *cover losses on their bond portfolios*. Traders expect the liquidation by *companies* to continue throughout the week and predict *volatility* up to the start of the new business year.

Volume rose to 400m shares from 370m. Foreign demand, which has supported Japanese shares recently, subsided while domestic institutions, arhitrageurs, *corporations*, and individuals were also sellers.

The Topix index of all first section stocks fell 13.59 to 1,614.42 while the Nikkei 300 closed down 2.75 to 296.52. Declines led advances by 758 to 274 with 154 issues remaining unchanged. In London, the ISE/Nikkei index rose 2.225 to 1,334.00.

Pharmaceutical shares were weaker on reports that the health ministry had instructed makers of interferon alpha, an *anti-cancer drug, to issue* stronger warnings that it inducas depreesion and suicidal tendencies. Takeda Chemical Industries fell Y40 to Y1,250 and Fujisawa Pharmaceutical lost Y40 to Y1,160.

Hanwa, the steel treder which faces mounting debts as e result of speculation on the financial markets during the late 1980s, fell Y54 to Y569 after the issue met heavy selling from e Japanese broker.

Large capital steels were down on profit-taking. Nippon Steel fell Y8 to Y342 and Kawasaki Steel fell Y4 to Y365. Corporate selling also hit high-technology stocks, with Hitachi down Y19 to Y950 and Toshiba down Y17 to Y773.

Speculative issues were higher in active trading. Sumitomo *Coal Mining* rose Y45 *to* Y856 and Izutsuya gained Y25 to Y734.

In Osaka, the OSE average fell 179.09 to 22,170.78 in volume of 157.2m shares.

Roundup

The resolution of interest rate speculation in the US unleashed buyers around the Pacific Rim. Karachi was closed for Pakistan national day.

HONG KONG climbed by 5 per cent although Jardine Matheson fell HK$4.75 to HK$49.25 before it was suspended from trading in the afternoon.

Brokers said that the Fed's rise in short-term interest rates removed a key uncertainty. *Linking that* to the view that the market was oversold, *institutions pushed the Hang Seng* index up by 453.36 to 9,465.53, in indicated turnover up from HK$6.73bn to HK$7.82bn.

Jardine group companies fell after Jardine Matheson, the parent, said that it would cancel its local listing at the end of this year. Swire Pacific A leapt HK$5.50 *to* HK$58.50 on a rush of switching orders.

BANGKOK put on another 4 per cent after the Thai bourse *eased margin loan regulations*, triggering active bargain hunting by domestic investment funds.

The *SET* index closed 49.32 per cent higher at 1,286.44 in moderate turnover of Bt7.4bn, the buying focusing on finance and communications issues.

KUALA LUMPUR credited retail buying and foreign funds as the KLSE composite index closed just short of the 1,000 *level, up 32.47 or 3.4 per cent* at 999.95.

SINGAPORE noted late profit taking from both Hong Kong and London, hut the Straits Times Industrial index still ended 66.24, or 3.2 per cent higher at 2,111.28.

AUSTRALIA bought on the Fed news and on a sharp jump in local futures, the All Ordi*naries index ending 40.1, or 1.9* per cent better at 2,180.9.

On the Sydney futures market, the March share price index shot up 60 to 2,205.0 on short-covering. In the cash market, hlue chip and resource stocks reflected overseas buying in the morning, mainly from Asia, and domestic institutional investment in the afternoon.

TAIWAN rose for the third straight day, helped hy a rally in financials and Hong Kong's recovery. The weighted index closed 69.43 up at 5,331.27 and turnover rose by T$10bn to T$49.8bn.

BOMBAY's speculators sold to get out of overbought positions, the BSE index closing 64.96 lower at 3,726.82.

The effect of the ban on the carry forward, or "badla" sys*tem of trading, was reinforced* on Tuesday when the stock *exchange declared a broker in* default.

SOUTH AFRICA

A lack of buying interest from domestic and overseas inves*tors* and *negative political* developments dragged industrial ehares lower, and the index ended down 116 at 5,951. *The overall shed 49* to 5,182 and gold 6 to 2,116.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY MARCH 22 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY MARCH 21 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	172.13	0.3	171.71	115.34	151.10	161.25	0.1	3.36	171.68	171.46	115.35	151.56	161.07	189.15	130.19	139.98
Austria (17)	188.98	0.5	188.52	126.63	165.89	165.86	-0.2	0.94	188.11	187.87	126.39	166.04	166.23	195.41	139.63	142.84
Belgium (42)	168.11	-0.2	167.70	112.64	147.57	144.44	-0.5	3.88	168.38	168.17	113.13	148.63	145.15	171.89	141.92	147.60
Canada (107)	138.57	0.8	138.53	93.05	121.90	137.31	0.7	2.44	138.08	137.90	92.77	121.88	136.39	145.31	121.46	125.15
Denmark (33)	264.52	0.3	263.87	177.25	232.19	238.85	0.0	0.98	263.71	263.37	177.18	232.77	238.62	275.79	195.86	195.80
Finland (23)	145.89	0.1	145.54	97.76	128.07	169.94	-0.5	0.66	145.77	145.58	97.94	128.67	170.72	156.72	73.12	73.98
France (98)	176.46	0.2	176.03	118.24	154.89	159.74	-0.1	2.80	176.15	175.95	118.37	155.51	159.91	185.37	148.60	166.22
Germany (59)	136.31	0.9	135.98	91.34	119.65	119.65	0.4	1.73	135.02	134.85	90.72	119.18	119.18	142.38	107.59	111.80
Hong Kong (56)	370.13	4.1	369.24	248.02	324.91	367.11	4.1	2.89	355.47	355.02	238.84	313.78	352.71	506.56	242.57	242.57
Ireland (14)	190.31	-0.2	189.85	127.52	167.06	187.31	-0.5	3.15	190.73	190.48	128.15	168.36	188.21	209.33	148.15	149.68
Italy (69)	76.06	1.7	75.88	50.97	66.77	94.96	1.4	1.77	74.79	74.70	50.25	66.02	93.70	78.93	55.21	56.43
Japan (469)	153.76	-0.9	153.38	103.03	134.97	103.03	-1.2	0.79	155.14	154.94	104.23	136.94	104.23	165.91	119.90	122.81
Malaysia (69)	450.77	1.2	449.68	302.05	395.70	473.03	1.4	1.60	445.26	444.69	299.16	393.04	466.70	621.63	278.49	276.49
Mexico (18)	2057.91	0.0	2052.90	1378.94	1806.44	7470.05	0.0	0.67	2057.91	2055.25	1382.65	1816.49	7470.05	2847.08	1491.17	1548.29
Netherland (26)	198.24	-0.1	197.76	132.84	174.02	171.84	-0.8	3.28	198.42	198.17	133.32	175.15	172.87	207.43	163.30	165.27
New Zealand (14)	68.27	-2.4	68.10	45.74	59.93	63.56	-2.6	3.67	69.97	69.88	47.01	61.77	65.25	77.59	45.45	48.50
Norway (23)	200.21	1.4	199.72	134.15	175.75	199.44	1.0	1.67	197.45	197.20	132.67	174.29	197.39	206.42	150.61	151.96
Singapore (45)	300.55	2.0	299.82	201.39	263.83	218.66	2.0	1.78	294.66	294.28	197.98	260.10	215.38	378.92	217.80	218.77
South Africa (60)	264.85	-0.6	264.20	177.47	232.48	267.01	0.0	2.30	266.50	266.15	179.06	235.24	267.07	280.26	161.99	171.48
Spain (43)	145.21	0.5	144.86	97.30	127.47	152.30	0.1	3.79	144.61	144.32	97.09	127.56	152.20	155.79	116.33	125.59
Sweden (36)	215.34	0.0	214.82	144.29	189.03	251.06	-0.2	1.52	215.40	215.12	144.72	190.13	251.60	230.02	154.79	156.58
Switzerland (48)	161.46	1.5	161.07	108.19	141.73	143.13	0.9	1.57	159.09	158.65	106.88	140.42	141.78	176.56	112.94	114.58
United Kingdom (215)	195.53	0.2	195.05	131.02	171.64	195.05	0.1	3.76	195.20	194.94	131.15	172.30	194.94	214.86	170.01	172.56
USA (519)	190.85	0.0	190.39	127.88	167.53	190.85	0.0	2.77	190.77	190.52	128.17	168.39	190.77	188.04	176.91	183.07
EUROPE (744)	158.19	0.5	157.78	112.70	147.64	160.50	0.2	2.86	167.42	167.20	112.48	147.78	160.25	178.58	139.56	140.26
Nordic (113)	208.98	0.2	208.47	140.03	183.44	212.85	-0.1	1.31	208.64	208.37	140.15	184.16	213.18	220.60	145.85	146.81
Pacific Basin (722)	151.79	-0.5	151.40	108.41	142.03	112.79	-0.7	1.07	162.57	162.37	109.23	143.51	113.61	166.80	124.58	127.24
Euro-Pacific (1466)	164.30	-0.1	163.90	110.09	144.23	131.50	-0.3	1.83	164.44	164.22	110.48	146.15	131.98	170.78	130.91	132.45
North America (626)	187.62	0.1	187.16	125.72	164.69	187.12	0.1	2.78	187.49	187.25	125.97	165.50	186.99	192.73	173.70	179.48
Europe Ex. UK (529)	149.91	0.5	149.54	100.45	131.59	139.66	0.2	2.31	148.96	148.77	100.08	131.48	139.36	155.73	120.47	120.47
Pacific Ex. Japan (253)	241.00	2.0	240.41	161.49	211.55	221.57	1.9	2.78	236.29	235.99	158.76	208.56	217.34	298.21	169.48	169.83
World Ex. US (1651)	165.82	-0.1	165.41	111.11	145.55	134.87	-0.3	1.84	165.94	165.72	111.49	146.47	135.29	172.51	132.02	133.47
World Ex. UK (1955)	170.96	-0.1	170.55	114.56	150.07	148.15	-0.2	2.02	171.05	170.83	114.92	150.98	148.46	175.58	145.88	146.95
World Ex. So. Af. (2110)	172.58	0.0	172.18	115.64	151.49	151.44	-0.2	2.18	172.62	172.40	115.98	152.37	151.72	178.56	148.09	149.15
World Ex. Japan (1701)	185.35	0.3	184.90	124.20	162.70	181.11	0.2	2.78	184.74	184.50	124.12	163.06	180.70	195.20	164.42	164.63
The World Index (2170)	173.13	0.0	172.71	116.01	151.97	152.34	-0.2	2.18	173.18	172.96	116.36	152.87	152.61	178.97	148.14	149.16

Latest prices were unavailable for this edition.